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# China Report

ECONOMIC AFFAIRS

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## NATIONAL ECONOMIC POLICY

### PROPORTIONATE DEVELOPMENT CONSIDERED ESSENTIAL FOR HIGH SPEED

Beijing JINGJI YANJIU /ECONOMIC RESEARCH/ in Chinese No 2, 20 Feb 79 pp 2-11

/Article by Li Chengrui /2621 2052 3842/ and Zhang Zhuoyuan /1728 0587 0337/:  
"Several Problems on Carrying Out Socialist Modernization at High Speed"/

/Text/ The communique of the Third Plenary Session of the 11th Party Central Committee pointed out: "Whether or not we can carry the general task of the new period to completion, speed socialist modernization and, on the basis of a rapid growth in production, improve the people's living standards significantly and strengthen national defense--this is a major issue which is of paramount concern to all our people and of great significance to the cause of world peace and progress." This fully illustrates the significance and urgency of carrying out socialist modernization at high speed.

What is real high speed? How can we attain real high speed? These are important questions deserving our serious attention. Since the smashing of the "gang of four," and under the leadership of the Party Central Committee headed by Comrade Hua Guofeng, a lively political situation of stability and unity has prevailed over our motherland, and our national economic recovery and development have gained relative momentum. These great achievements are recognized by the world and should be beyond doubt. On the other hand, in the development of our national economy, some problems remain unsolved. For example, while the Central Committee has time and again stressed the need to comprehensively achieve greater, faster, better and more economic results, why are some departments and enterprises only concerned with greater and faster, but ignoring better and more economical results? While the output and output value of many enterprises have been above the highest level in history, why have the quality of products and the consumption of materials failed to match the best level in history? While there have been clamors every year about over-commitment in capital construction, why cannot capital construction projects be cut down to a suitable number for our concentration of efforts? Why is the return on investments on some projects even lower than those of the 1950's? Why do many enterprises use a lot of extra labor? Why is their labor productivity so very low that they have to request more manpower and to increase personnel? While there are outcries everywhere of material shortage, why are some materials, already overstocked, still being



mass produced? Why does the raw material industry fail to catch up with the requirements for the processing industry and yet some branches of the processing industry continue to expand blindly and the common machine tools have been produced far above the planned goal every year? This and so forth. Unless these problems are promptly and efficiently solved, our socialist modernization at high speed will be hindered. This shows certain discrepancy between our superstructure and relations of production on the one hand our productive forces on the other. How to solve these problems and to achieve high speed is a very complex issue. It will be beyond the capability of this article to deal with the whole issue. Therefore, we will only raise some questions as to what is real high speed, how can we proceed in a planned and proportionate way, how to apply the law of value and increase the power of enterprises to make their own decisions, and submit our preliminary views for public discussion.

## I

What is real high speed?

Real high speed involves many aspects. Viewing from our historical experience, we can see that it means, among others, close relationship to these two requirements: First, there should be steady and sustained high speed without serious fluctuations; and second, high speed must be accompanied by greater, faster, better and more economic results instead of only greater and faster, but not better and more economical results.

Judging from the overall situation since the founding of the People's Republic, our economy has developed at relatively high speed, thus attesting to the superiority of our socialist system. But we have still failed to attain our goal. We succeed in developing our economy at a high speed, but the speed has not been steady and sustained over a long period of time. We have experienced two serious setbacks. From 1958 to the beginning of the 1960's, our national economy had great ups and downs. Then during the 10 years of the Great Cultural Revolution, the fluctuations were even more severe. Sometimes the national economy was good; sometimes, bad; sometimes at a standstill; and sometimes going straight down until finally it came to the brink of collapse. The causes of these two setbacks, apart from serious natural disasters and the disruption by Soviet revisionism and particularly and most recently by Lin Biao and the "gang of four," were subjective ones, that is, in certain aspects, our economic work did not correspond to objective economic laws. (During the Great Cultural Revolution, many problems were caused not by the leaders' ignorance of the objective economic laws, but rather by the exclusion of, and attacks on, those who knew and had a relatively good knowledge of these laws, by Lin Biao and the "gang of four.") Everyone in our economically backward country wanted to work faster, and their enthusiasm was indeed commendable. Thus in 1958, the broad masses showed great enthusiasm and creativity for a speedy change from our country's economic backwardness. In providing guidance, however, we cannot rely only on the enthusiasm of the people without due regard for the conditions and

resources of the country. Even though there may be a temporary upswing, an eventual fall would be inevitable. On the whole, the progress was slow instead of fast. Serious ups and downs not only seriously upset construction undertakings and personnel arrangements resulting in great loss and waste of social labor, but also landed the state in a passive position politically. Such experience must not be allowed to reoccur.

Of course, because of bad weather conditions, changes in the international situation, inadequate material reserves at home and the direction of work not fitting the objective conditions, it would be inevitable that development would be faster in some and slower in other years. It would be impractical to expect the development to be at a uniform rate throughout all years or periods. However, as long as we carefully observe the domestic situation, proceed from reality and take a long-range view, instead of being short-sighted in our national economic planning, we could, and should be able to, avoid serious ups and downs entirely.

To develop socialist production with greater, faster, better and more economical results; to obtain great economic results with minimum consumption; and to satisfy the daily increasing material and cultural requirements of the broad masses with various products not only in large quantities but also of large varieties and good quality--these are the basic demands of socialist economic laws as well as the requirements for steady and high speed socialist modernization. Real high speed cannot be attained under conditions of low efficiency, high consumption, small varieties and poor quality.

Since the founding of the People's Republic, we have been fairly, though far from fully, attentive to greater, faster, better and more economic results comprehensively in two different periods. The first period was during the First Five-Year Plan from 1953 to 1957, and the second was from 1962 to 1965. During these two periods, we were fairly keen about cost accounting and attentive to economic results. The total annual industrial output value increased progressively by 18 percent, and the average annual rise of labor productivity of all workers was at a progressive rate of 8.7 percent. In industry, 59 percent of the increase was attributed to the rise of labor productivity. (See Hu Qiaomu's "Observe Economic Laws, Speed Up the Four Modernizations") In 1957, compared with 1952, the overall cost of comparable products in the industrial departments under the central authorities decreased by 29 percent, averaging an annual decrease of 6.5 percent. ("The Ten Great Years" compiled by the State Statistics Bureau, People's Publishing House, p 99) In industrial and agricultural production during the 3 years of readjustment after 1962, there was not only a sustained high-speed increase of quantity (including the element of recovery) but also greater varieties, better quality and lower consumption. If we will look backward today, we can see that 1965 was the best year in history, in view of the high record in the various economic technical targets of many departments and enterprises.

We have also had some negative experience. From 1958 to the early 1960's and during the early period of the Great Cultural Revolution, the dialectical



unity of greater, faster, better and more economical results was seriously impaired. Although some products were increased by a wide margin in some years, most of them did not meet the specifications, and some rejects were used to fill ditches or to pave roads. Some tractor plants did not produce a single acceptable tractor in 10 years or more since the plants were established. The quality of more than half of the products of some fertilizer plants was not up to the required standards. All these brought heavy losses to the state and the people. Then how could there be any real high speed to speak of?

Some comrades asked: Comparing the statistics of 1977 with 1949, our industry registered an average annual increase of 13.5 percent, and this rate was by no means slow. Despite the serious interferences and disruptions by Lin Biao and the "gang of four," our Third Five-Year Plan (1966-1970) showed an average increase of 11.7 percent in industry, and the Fourth Five-Year Plan (1971-1975) showed an average increase of 9.1 percent, also in industry. Then the rate of increase cannot be slow. (For figures, see RED FLAG Commentator's Article: "Struggle for High Speed in the Development of National Economy," "RED FLAG" No 1 of 1978) However, why are we still so poor? The causes were many, but the most important one was that the products did not meet the specifications. Furthermore, their quality was poor and the consumption was high. Waste in production was also serious. According to the total output value, the increase has not been slow. However, the fact was that the gains could not offset the losses. Many products were simply wasted in the production departments and few of them could eventually find their way to the market. If such a condition goes on unchecked, it will be very difficult to accomplish the four modernizations.

Some comrades have asked: Since the founding of the People's Republic, we have suffered a great deal because of mistakes. Have we suffered more from being too fast, or from being too slow? I feel that we suffered more from being too fast, that is, from the mentality of "better 'left,' never right," the after-effect of which is "more haste, less speed." When people were considered not fast enough, or criticized for rightist conservatism, our hindsight tells us that economy at that time developed fairly well. On the other hand, when people were considered working "fast," our hindsight tells us that it was not fast, but slow. Of course, we have to guard against the problem of not being fast when high speed is called for. However, such cases were rare in the past. When they did occur, corrective action was easy. For example, in 1955, planning was a little slow, but the problem was quickly solved after some corrective measures. We have, therefore, to conscientiously sum up our experience so that we will know how to proceed from reality and to achieve real high speed.

After all, in socialist modernization, we must aim at greater, faster, better and more economic results comprehensively in a steady and sustained way. This is the high speed we want. With this point clarified, it will be possible for us to further explore the problem of attaining high speed.

To achieve high speed, there must be a planned and proportionate development of national economy.

Socialist economy is a planned economy, and socialist national economy develops proportionately through adjustment of plans according to objective social economic laws, or, in the way pointed out by Marx who said: "The apportionment of labor in accordance with a definite social plan maintains the proper proportion between the different kinds of work to be done and the various wants of the community." ("Das Kapital," Vol 1, People's Publishing House, 1975 Edition, p 96) It is true that planning is a subjective thing. A socialist system cannot as a rule guarantee that our planning will conform to the objective proportionate requirements. However, when the planning corresponds with objective laws, there will be high speed development with comprehensive greater, faster, better and more economical results, and the superiority of the socialist system will be given full play. Conversely, if our planning does not correspond to objective proportionate requirements, imbalance will result. Furthermore, under a socialist system, economic activities are either directly or indirectly guided by state planning, and the mechanism of automatic regulation does not exist. Therefore, any miscalculation in state planning will bring losses to the overall situation, give rise to serious imbalances, and reduce the speed of development for the entire national economy. We have had experiences in both respects.

First, we have had many positive experiences. The article "Ten Major Relationships" written by Comrade Mao Zedong is a scientific summing up of experiences in this respect. This article incisively expounded the relationships between industry and agriculture, between heavy and light industries, between economic construction and defense construction, between the state, the production units and the individual laborers, and so forth. These views later developed into the idea of taking agriculture as the foundation and industry as the leading factor, and into the idea of arranging the national economic plan in this order of priority: Agriculture-light industry-heavy industry. Comrade Mao Zedong's ideas represented the application of Marx's principle of proportion among  $c$ ,  $v$ ,  $m$  for the two major categories of social products to the specific conditions in our country. In the Eighth National Party Congress, Comrade Zhou Enlai scientifically summed up our experiences in the First Five-Year Plan in his report on proposals for the Second Five-Year Plan for the Development of the National Economy. The report said: "We should set a reasonable rate for the growth of the national economy according to our needs and possibilities, and place our plan on a forward-looking and sound basis so as to insure a relatively balanced development of our national economy. We should coordinate our key projects with our overall arrangements so that there would be proportionate development for various branches of the national economy. We should build up our reserves and perfect our system of stock-piling materials. We should correctly handle the relationship between economy and finance." In the late 1950's, Comrade Chen Yun proposed that the economic plan should be arranged according to the

conditions and resources of our country, that the "three major balances"—namely, the balance in the expenditure and revenues of the state budget, the balance in the issuance and withdrawal of bank credits, and the balance in supply and demand of materials (to this, the balance in receipts and payments of foreign exchange was later added)—should be adhered to and that an overall balance should be achieved among these balances. All have been confirmed to be correct after nearly 30 years' practical tests. If we acted in accordance with these principles, we would be able to carry out development in a planned and proportionate way and at high speed; otherwise, the development would be disrupted and slowed down.

We have also had negative experiences. Since the founding of the People's Republic, we have had serious imbalances in our development on two occasions under mainly different specific conditions. From 1958 to the early 1960's, we somehow lacked experience; but during the Great Cultural Revolution, it was mainly caused by the disruption of party and state leaderships at various levels in economic planning and in the chain of command over production because of vain attempts by Lin Biao and the "gang of four" to usurp party and state leadership. Nevertheless, there were many similarities in the imbalance between industry and agriculture, and the failure of agricultural development to catch up with industrial development, particularly the development of heavy industry; second, the imbalance between the raw material industry and the processing industry, and the imbalance among agriculture, forestry and livestock breeding, grain and cash crops, all within the agricultural sector; third, an overextension of the capital construction front which was beyond our means in terms of manpower, material and money; and fourth, the imbalances between accumulation and consumption, between productive and nonproductive accumulations (generally called the proportion between the "bone" and the "meat" in capital construction) which affected the people's living conditions. Closely related to all these imbalances was the problem of excessive deviation to the left in a whole set of policies, such as the rejection or depreciation of the law of value and the law "to each according to his work"; the refusal to recognize the right of the commune members to their private plots and their family sideline business, the abolition of the village fairs, the practice of equalitarianism and indiscriminate requisition, the negation of rural people's basic system of three-level ownership with the production team as the basic accounting unit; the blind commandism in matters of production and so forth. The first appearance of imbalance in national economy and the leftist deviation in policies was followed by their second appearance. We should take a serious lesson from these experiences.

Practice has proved that imbalances may occur and speed may go down under the socialist system. However, it has also proved that under the same system, it is entirely possible to solve the problem of imbalances speedily and to put our national economy again on the path of planned, sustained and high speed development as long as we accept the realities, enforce correct principles and policies and adopt effective measures. The series of policies and measures taken after the first appearance of imbalance were correct, and



conformed to objective laws. Although there were defects and mistakes in the course of actual implementation, their effects were only secondary. The uninterrupted rise of our national economy from 1949 to 1966 has proved this point. The policies and measures then adopted included the call for courage to face realities and to explain the difficulties to the cadres at various levels and to the broad masses of people in a down-to-earth manner; slogans of making our country strong through self-reliance and hard struggle and of building the country by practicing economy; and the mobilization of people throughout the country to rise in unity to overcome the difficulties. The whole party paid attention to agriculture and formulated the "Revised Draft of Regulations for the Work of Rural People's Communes" which resolutely corrected the leftist economic policies in the countryside and aroused the peasants' enthusiasm. At the same time, the leftist economic policies on industry were also corrected to raise the morale of the broad masses of workers. In dealing with anything considered "excessive," Comrade Mao Zedong's "brave retreat" ("On Protracted War," "Selected Works of Mao Zedong" Vol 2 p 466), that is, retreating resolutely and sufficiently, was carried out. All surplus industrial population that might impose too much of a burden for the peasants (including the portion that can be taken care of by imported grain) were transferred to the countryside; all capital construction projects considered excessive for the available manpower, money and material resources were halted; all enterprises that could not solve the problems of raw materials, fuel, power, and other production facilities were resolutely "closed, suspended, amalgamated or reorganized for other lines of production," so that a certain portion of manpower, money and materials could be diverted to light industrial and nonstaple food production which would increase supply for the market and gradually improve the people's living conditions. Whatever was left uncompleted was later completed, and by resolutely narrowing the scope of capital construction projects, we concentrated our forces on strengthening whatever weak links were in urgent need of reinforcement or that should be reinforced. For example, we established Daqing Oilfield within a short period and thus achieved self-sufficiency in oil; we set up our strategic rear areas, transportation trunk lines; and so forth. All these are part of the precious experiences from the history of our socialist construction.

After smashing the "gang of four" with one blow, the Party Central Committee headed by Comrade Hua Guofeng, while leading people throughout the country in the exposure-criticism-investigation movement, adopted various strong measures to restore and develop production, and to readjust the national economy on a proportionate basis. However, up to now, as pointed out in the Communiqué of the Third Plenary Session of the 11th Party Central Committee, "some major imbalances have not been completely changed." To readjust the proportion between industry and agriculture, the plenary session proposed that the whole party must now concentrate its main energy to speed up the development of agriculture, and decided to adopt a series of policies and economic measures to arouse the enthusiasm of hundreds of millions of peasants to develop agricultural production. To adjust the proportion between accumulation and consumption and to solve the problem of over-commitment in

capital construction, the plenary session proposed that capital construction should be carried out actively and steadily within the limits of our capabilities, and that we must not rush things causing wastes of manpower and material. From this, we can see that within several years, a series of measures should be carried out particularly for the purpose of achieving an overall balance in planning--which generally conforms to objective requirements--between industry and agriculture, between the various agricultural departments, between accumulation and consumption, and between the state construction and the people's livelihood. Only thus can a solid foundation be laid for the high-speed development of national economy.

To achieve planned, proportionate and high-speed development, one point must be clarified: What is the difference between positive balance and negative balance? In our opinion, positive balance is an overall balance attained by giving full play to subjective initiative within the scope of objective conditions. On the other hand, negative balance is the result of the failure to do so. We must therefore achieve positive balance and oppose negative balance. At the same time, we should also oppose the so-called balances based on subjectivism and transcending objective conditions. Both rightist conservatism and reckless advance are erroneous. The problem is that for a long time, metaphysics was rife and only conservatism and rightism, but not reckless advance and "leftism" were opposed. "Rightist deviation is a question of stand, and 'leftism' is a question of method" was the argument. Sometimes, it was not even a question of method. This idea usually diverted planning from reality and violated the objective laws which accordingly meted out punishments. As we can always see, the planning did not leave any leeway. On the other hand, dislocation was everywhere in planning for raw materials and semi-finished products to be used for either production or capital construction. Under such conditions, many plans failed to materialize. Capital construction could not be reduced to a manageable size; production and circulation could not proceed under normal conditions; existing equipment could not be used to full advantage; and imported equipment of advanced technology, purchased with our precious little foreign exchange, was left partly idle. Dislocations were so rampant that it was difficult to set up any system of cost accounting or economic responsibility. It was also difficult to conclude any contract or to enforce any economic legislation. This violated economic laws and contract obligations; but nobody could be actually held responsible and there was no way to offer just reward or to mete out due punishment. With dislocation everywhere, different departments squeezed one another until the fat ones became thin. In fact, agriculture and light industry were usually the victims and, as a result, the planned ratios between industry and agriculture and among the various industrial and agricultural departments failed to conform to objective conditions. This is extremely harmful to the cause of speeding up modernization.

There is still a very confused concept on the question of long line and short line balances. In striking an overall balance for the national economy as a whole, there is usually a disparity between the long and the short lines. For example, among the "three major materials" required



for capital construction, steel was enough for projects costing a total of 10 billion yuan, and this is a long line. The amount of cement and timber was only sufficient for 8 billion yuan of projects, and this is a short line. Then shall we take the long line of 10 billion yuan or the short line of 8 billion yuan? In the past, some leading comrades proposed that by (1) increasing production, (2) reducing consumption, (3) seeking substitutes and (4) increasing imports, we could stretch the short line. For example, through the above four measures and subjective efforts, we could have enough materials for a 9 billion yuan line. Was this proposal correct? We believe it was, being based on the principle of seeking truth from facts and a full consideration of objective conditions and giving full play to subjective initiative. However, it was criticized as rightist conservatism. The confusion caused by this criticism should now be set straight.

Comrade Mao Zedong pointed out long ago: "The party's line is the correct line for development; it opposes outmoded and conservative notions on the one hand and grandiose, empty and unrealistic plans on the other. This is the party's struggle on two fronts in financial and economic work." ("Economic and Financial Problems in the Anti-Japanese War," "Selected Works of Mao Zedong," Vol 3 p 848) During the socialist construction, Comrade Mao Zedong again pointed out: Failure to do what can be, and must be done, is called rightist conservatism; but trying to do the impossible and without sufficient justification is called blindness or "leftist" adventurism.

Summing up the experiences in the First Five-Year Plan, Comrade Zhou Enlai incisively pointed out: "Experiences have proved that while we formulate long-term plans, we must conform to the basic requirements of realistic socialist industrialization and the conditions of material, money and manpower in our state and then set various goals in a practical way. At the same time, we should keep a certain reserve to back up our planning. In our annual planning, we must consider possible developments in the current and the following year and actively develop the latent forces to insure the fulfillment of the long-term plan." He also pointed out: "Experiences have also proved that while working out our annual plans under favorable conditions, we must note certain unfavorable factors existing then or later. We must not advance recklessly; on the other hand, under unfavorable conditions, we must note the many favorable factors existing then or later. We must not hesitate to make any move at all."

Today, despite the big difference between the present and the past, it is still very necessary to follow the above correct views of Comrades Mao Zedong and Zhou Enlai, to proceed from reality and to firmly uphold the party's correct line for development if we are to carry out socialist modernization in a planned and proportionate way.

### III

To attain high speed, we must attach great importance to the law of value and let the market play its proper role.

In a socialist society, commodity production and exchange are inevitably subject to the law of value, which, if properly observed, will help develop socialist economy. In 1959, speaking of the law of value, Comrade Mao Zedong said: "This law is a great school. Only by applying it can we educate our tens of millions of cadres and hundreds of millions of people and build our socialism and communism. Otherwise, it would be impossible." (Quoted by Comrade Hua Guofeng 7 July 1978 at the National Finance and Trade Conference on Learning From Daqing and Dazhai) What have we learned from this school in the past 30 years? Sometimes we learned well and were fairly successful in applying what we had learned. As a result, development of our national economy was accelerated. Yet sometimes, we did not learn well or failed to apply what we had learned. Consequently, we were punished by the objective laws.

In 1958, Chen Boda whipped up a vigorous "wind of communization" which negated the law of value. In agriculture, equalitarianism and arbitrary requisition were practiced on a large scale and peasants were ruthlessly exploited; while in industry, labor cost and cost accounting were ignored. These fallacies were picked up from the trash heap by Lin Biao and the "gang of four" to be used like magic weapons. Thus the same mistakes were repeated. There was no distinction between good and bad and between those meriting rewards and those deserving punishment. The quantity of many products dropped and the quality deteriorated. The goods produced did not suit popular taste, resulting in reduced revenue and a tense supply situation in the market. These experiences, both positive and negative, are of very great value for our modernization hereafter.

Of course, judging from the present situation and the requirements of the four modernizations, our past experiences cannot be adequate, because there is still a small realm of necessity which we do not understand. The system and methods of management which stress administrative orders, as we learned from the Soviet Union shortly after the founding of the People's Republic, are still fettering our minds and confusing our ideas. Here, several questions need to be answered: First, are the laws of value and development in a planned and proportionate way set against each other? Second, can planned proportionate and high-speed development be harmful if carried out without the use of the law of value and without certain competition in the market? Third, will the use of the law of value play a negative role and bring about capitalist restoration? These questions must be answered before we can more effectively learn from the great school of law of value and apply this law, and before we can accomplish the four modernizations at high speed.

Lin Biao and the "gang of four" treated the law of value as a socialist "alien force" and set the role of the law of value directly against planned economy. This is basically wrong. The law of value and the law of planned and proportionate development are contradictory as well as united, but primarily united. In a socialist society, the formulation and realization of the national economic plan are inseparable from the law of value. Marx pointed out: The law of the value of commodities ultimately determines how much of its disposable working-time society can expend on each particular class of commodities." ("Kapital," Vol 1, People's Publishing House, 1975 Edition,

p 394) When we work out the plans and arrange the proportions, we have to consciously obey the law of value and rationally regulate the allocation of labor time among various production departments. The law of value plays an important part in materializing plans and working out proportionate distributions. For example, if we are to speed up grain production according to plan, we have to solve the problem of grain procurement at an unduly low price. Again, if we are to increase cotton production according to plan, we have to handle well the relationship between cotton price and the cotton peasants' grain ration. If we want to regulate the relationship between supply and demand, the law of value should also be frequently applied. However, planning is after all comprehensive in nature, so, in planning, we can only determine the proportion in general terms and set the general goals for production, exchange and distribution and the main specifications for the major products. As for the requirements of the ever-changing varieties, specifications and quality standards of either category one or category two products and their production and circulation, our plan cannot be too specific or meticulous in meeting all requirements. Therefore, we must use the law of value to make our plans more specific for implementation.

In order to truly achieve greater, faster, better and more economic results in an all-round way, we must respect the law of value, which demands that the value of all commodities be determined by the consumption of socially necessary labor instead of individual labor in production. When the material benefits of the workers and staff members of an enterprise are closely related to the success of the enterprise, the law of value can effectively encourage the enterprise to adopt advanced technology, raise labor productivity, make better use of the fixed assets, speed up the circulation of its capital fund, lower the costs and earn more profit. The effects of reliance on administrative means and the planned control and supervision from higher authorities can only be limited. Please think why despite repeated calls from the central authorities for quality as the first objective in industrial production, the leaders of many enterprises only "pay attention to total output value but only lip service to quality"? Why do they act according to the principle of "output value first"? Why, despite repeated calls from the central authorities for improving the results of investments on capital construction, the work still drags on and on with ever-increasing outlays? Some comrades maintained that if the eight economic and technical targets for industry and enterprises (namely, output, variety, quality, consumption, labor productivity, costs, profit and the amount of circulating fund) and the nine economic and technical targets for capital construction (namely, new productive forces, construction time, amount of construction materials, quality of construction, consumption of materials, construction value, proportion of fixed assets, time limit for return on construction investment, time required for production up to designed capacity) are used as the criteria for determining the amount of bonus, or the awarding of it, the problem will be solved. Is it really so? True, this system has some merits and should be strictly enforced, particularly at present. Yet, we must also note that it cannot basically improve economic results or achieve greater, faster, better and more economical results in an all-round way. Some of these methods have been

used long ago but were ineffective in solving the problem of quality which "has continually existed for 20 years." In the eight economic and technical targets, output value was omitted. Yet output value is now called the "overlord" of the eight targets or the "commander directing production from behind the scenes." In order that more enterprises can obtain bonus, people can lower the standards of the eight targets in working out the plans at the beginning of the year, or lower them by the year end. After all, this type of administrative, or semi-administrative measure cannot basically solve the problems of inefficiency or poor quality.

Then what should be done? One important method is to let the enterprise compete in the open market so that their products can be judged objectively by the working people, or the consumers. If your products are good and low in price, people will buy them and you profit; if your product quality is poor and is expensive, people will not buy it, and you deserve to suffer loss. We should see to it that every enterprise treats the question of good quality, low costs, low consumption and consumers' satisfaction as a matter of utmost importance as though its very existence depends on it, and that every worker and staff member of the enterprise will devote all his energy in the endeavor to achieve greater, faster, better and more economic results. In short, every cadre and person should be a good student of the "law of value school" where he will learn the true skill to build socialism and communism. "Otherwise, it will all be impossible."

To apply the law of value to planning economic activities in order to achieve greater, faster, better and more economic results, we should also make good use of the various levers of value.

Price. The prices of major products are set by the state, but they should not be too inflexible and in too minute detail as they are now. Hereafter, it may be desirable for the state to set the ceiling prices for the major products. These prices can be lowered but not raised without the process of stage regulation, but some slight variations are permissible in order to insure good quality and to meet the frequent changes between supply and demand. Unless there is a certain flexibility of market prices, there can be no competition and there will be no way for the public to judge and evaluate the quality of labor and its effect on the production units. Under state planned leadership, the production units, circulating units and the consuming units can enter into direct contracts. Direct dealing between production and consumption units (including agreement on prices) will also be permitted. Products priced above the set limit will go to the free market which is under state control. At present, there are not only village fairs, but also actually a free market for products of the first category. It may be desirable to legalize these transactions in order to bring them under control. Of course, there can be no complete liberalization in pricing because it is in contradiction with the practice of planned economy. An important condition here is that the price set by the state should generally approach the consumption of social labor on products (except when it is necessary to use pricing as a means of regulating the production and consumption of some products). At present, there is a certain undue discrepancy between price and



value. Some products, such as certain agricultural products, raw materials, semi-finished products, fuel, and so forth, which are important and urgently needed, but are in short supply, are being sold at low prices, although increased production should be encouraged. Such a phenomenon must be changed. Price adjustment is a very complicated question and should be handled carefully and gradually in practice.

**Tax.** Tax and price can be simultaneously used as value levers to supplement each other. The portion of above average profit gained, but not through the enterprise's efforts, should be collected by the state through taxation. For example, a differential income tax should be charged on rich mines. Thus all production units will be able to enjoy generally equal economic conditions and the results of their economic activities can be rationally compared. In this case, the tax rate will become complicated. Yet this is more energy-saving than the many other standards for evaluating enterprises.

**Credit.** The role of credit should be enlarged. The entire amount of circulating capital, whether limited or unlimited, should be returned with interest in order to promote the circulation of funds. It may be desirable for investments on capital construction to be in the form of loans from state banks according to the principle of reimbursement with interest. The present system of investment on capital construction encourages the scramble for investment funds and for more projects, resulting in the tendency toward overcommitment. The so-called annual plan is to "join the scramble for funds"; and once they are in hand, the enterprises will not be held accountable for them economically and there is no need for them to be concerned with the way the funds are used, or with the return of these funds after the completion of the construction projects. In this way, it will be very difficult to improve the results of investments. Even though there may be advanced technological equipment, including imported advanced technology, the enterprises usually cannot use them to full advantage. That is why this method of investment should be changed. In practicing the system stipulating the return of capital funds with interests, attention should be paid to this important matter: Since the allocation of circulating funds and capital construction investments are long-term instead of short-term arrangements, these funds should be transferred to the bank out of the state allocation budget. If insufficient funds are transferred to the bank for this purpose and nothing more is done about it, there will be more issues of legal tenders leading to currency inflation. Enterprises must in addition pay for the use of fixed assets as a matter of principle, or pay tax on fixed assets. The present system of free supply of fixed assets must be changed. In this way, the enterprises will be induced to make better use of the fixed assets and imported technological equipment. It will also be possible to encourage greater subjective efforts and provide the enterprises with equal economic facilities for free competition among themselves.

**Profit.** Instead of handing over to the state the entire amount of profit, an adequate portion should be placed at the disposal of the enterprises. Profit is realized after passing a competitive test in the market. Only



profit of this type can truly reflect the actual results of the production units' economic activities whatever may be the false appearances. Under the present system of unified purchasing and marketing of products by the state commercial departments and material departments, the profit is made from the commercial purchasing centers or material bureaus. This type of profit is usually independent of the checking and supervision of the consumers and may even create a queer situation in which, while the production units are handing over profits to the finance departments, the commercial departments are reporting losses to the same finance departments because of the poor quality and rejects. Under this circumstance, even though the enterprise may be permitted to retain part of the profit, it would still be impossible to achieve greater, faster, better and more economic results.

Besides the above, there are still other factors, such as the utilization of interests, costs, wages, bonus and other levers of value for promoting economic development. However, we will not attempt to deal with all of them here.

Under the socialist system, will the use of the law of value and permission for competition in the market to a certain extent be contradictory to planned economy? There is some contradiction, but the issue is that we have to correctly recognize this contradiction and adopt suitable measures to handle and regulate it so that it will not hinder socialist economic development. For example, the quest for profit by the enterprises in disregard of the overall situation may bring about an imbalance in national economy, and market prices may fluctuate or rise. In dealing with these problems, the state can stipulate the basic ratio, such as the ratio between agriculture and light and heavy industries through distribution of its investments on major construction projects, major products and major means of communication and transportation. It can use the various economic levers to regulate one another so as to insure harmonious proportions and stability, or basic stability, of prices. This is by no means a simple deduction, but has been proved by facts. During our national economic recovery and the First Five-Year Plan, did we not achieve a fairly well-proportioned development among several economic sectors? Our prices have been steady throughout the period of socialist transformation of the ownership of the means of production since March 1950. There will be some new situation or new contradiction hereafter, but as long as we study and handle them correctly and in good time, we will be able to find the solution. The alleged danger of capitalist restoration, which may be brought about by the application of the law of value, can be entirely prevented as long as socialist countries uphold the dictatorship of the proletariat, own the basic means of production, adopt the correct line, principles and policies, and firmly carry out planned economy. The law of value can serve socialism and speed up socialist economic development. Practice in our country and other socialist countries has already proved this point.

#### IV

To achieve high speed, it is necessary to give the enterprises relatively greater power to make their own decisions.

Socialist enterprise is the grassroot unit of socialist production. Each enterprise must have adequate authority and corresponding responsibility before they have the basic conditions and innate economic motive force to achieve greater, faster, better and more economic results, (The enterprise referred to here means the production units under the ownership of the whole people. Same as follows.) and before there can be a firm foundation for high-speed development of production for the entire society.

Recently, there has been a lot of talk about reforming the structure of economic management and about the apportionment of power and responsibility between the central and local governments, the state and the enterprises, and among the enterprises. But where does the reform start? First, we maintain that the forms of management should be changed from that of administrative organization to that of economic organization. These economic organizations should include all forms of companies, and the state should on the one hand give them more power to make their own decisions on matters of production, supply, marketing, manpower, money and materials; and, on the other hand, let these companies be responsible to the state for their business activities. The leadership of these companies should be held accountable for the state's means of production and capital funds economically and legally. At same time, in the companies and their affiliated plants, the result of their business operation should be closely related to the personal benefits of the workers and staff members.

The enterprises should have relatively more power to make their own decisions before there can be a mass foundation for the national economic planning. At present, the structure of our economic management is over-concentrated, that is, the over-concentrated system of planning with a weak mass foundation. Therefore, these enterprises should have due power to make their own decisions and the success or failure of their planning will be closely related to the benefits of the workers and staff members. They will then, in consideration of their own material benefits, be more concerned with the formulation and completion of the plans. Only this can help the national economy develop in a planned and proportionate way, and at a high speed.

With the enterprises in possession of greater power to make their own decisions, it will be easier for them to apply the law of value. The greater the enterprise's power of decision, the wider will be the scope of application of the law of value, and the greater the role of competition in the market. Thus the enterprises will be in a better position to produce according to social needs and to advance in the course of competition.

Some one has raised this question: Since the capital funds for enterprises owned by the whole people are allocated by the state in a unified system, their products should be procured by the state and the wages fixed by the state on a unified basis. If these enterprises are given greater power of decision, is not this a sign of "retrogression"? We say that it is not. Practice has proved that the old convention of state restriction on enterprises owned by the whole people was a type of "communal kitchen" system which is unfavorable to the development of production, incompatible with

the objective requirements for developing social productive forces, and inconsistent with the ideas of Lenin and Comrade Mao Zedong.

Lenin said: "Trusts and factories have been founded on a self-supporting basis precisely in order that they themselves should be responsible and, moreover, fully responsible, for their enterprises working without a deficit. If it turns out that they have not achieved this, then in my opinion they must be prosecuted and punished, as regards all the members of their boards of management, by prolonged terms of imprisonment (perhaps applying conditional release after a certain time), confiscation of all their property, and so forth. ("To the People's Finance Committee," "Collected Works of Lenin," Vol 35 p 549) He also said: "The so-called economic accounting is a commercial principle." ("The Role and Functions of the Trade Unions Under the New Economic Policy," "Selected Works of Lenin," Vol 4 p 582) Comrade Mao Zedong has also said: "All factories should be transformed into enterprises. All factories should expand or curtail their business operation according to their economic gains or losses. All the workers' wages should be paid out of the factories' profit, and they should receive no ration of grain or clothing, or other government subsidies." ("Problems of Economics and Finance," "Selected Works of Mao Zedong," Northeast Book Store, 1948 Edition, p 822)

Our task now is to follow the above ideas of Lenin and Comrade Mao Zedong in order that the enterprises will have due power and responsibility without further relying on the state, eating in the communal kitchen, drawing salaries as a rule or exercising leadership with no sense of responsibility.

After the increase of their power and responsibility, all enterprises will face two different destinies: They will either achieve greater, faster, better and more economical results and build a prosperous business with both public and private benefits, or produce less, slower, poor and wasteful results with business losses involving both public and private interests. Under correct party leadership and planned state leadership, and with full mass enthusiasm, the overwhelming majority of enterprises will become the former type (despite differences in degrees); but a small number of them may become the latter type. What shall we do with this small number? The measures can be no other than (1) suspension of production pending consolidation and a leadership shake-up; (2) amalgamation with better enterprises; (3) change to another line of production to meet social needs; and (4) closing the enterprises and letting the state reassign the workers to other jobs. If some workers cannot be immediately relocated and their families have difficulty in making ends meet, let the state take care of them. These measures were called during the national economic readjustment "close, stop, amalgamate and change." We should now defend these good measures, because they are not bad things to be feared. Before, serious imbalances and the measures of "close, stop, amalgamate and change" on a large scale produced some tremor. Hereafter, in order to prevent serious imbalances, the same measures used on a small number of enterprises will serve as a normal means (though to be used sparingly) to expose and cope with unhealthy tendencies

in our economic life, to readjust the proportion, and to promote greater, faster, better and more economic results. If these means are properly used, unfavorable side effects will be reduced to a minimum, while their positive results will be considerable.

We must make it clear that the above measures should be adopted in a planned and systematic instead of a haphazard way. In places where the conditions are not yet ripe, some transition measures should be used. Here, we have offered only some preliminary theoretical probing, and suggested some tentative plans. In practice, however, there will be many more complex factors to be considered.

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## NATIONAL ECONOMIC POLICY

### DISTRIBUTION ACCORDING TO WORK DISCUSSED

Beijing JINGJI YANJIU [ECONOMIC RESEARCH] in Chinese No 2, 20 Feb 70 pp 76-80

[Article by Wen Min [0795 2404]: "Discussions on the Question of 'Distribution According to Work' in the Past Year"

[Text] In the past year, people in our economic circle continued to deepen their exposure and criticism of the fallacy of the "gang of four" in slandering the system of distribution according to work as being instrumental in producing a new capitalist class. Their vain attempt was to abolish this system. To meet the requirements of the four modernizations, people in the economic circle are still continuing their discussions on the law of distribution according to work, the principle behind material benefits and other questions concerning piecework wage, bonus, and distribution in rural collective economy, and have already held the fourth meeting to discuss the theory of distribution according to work. In the past year, the discussions on distribution according to work had the following features: Continued efforts to clarify the theoretical question of right and wrong which has been turned upside down by the "gang of four"; study and discussions on the question of how to embody and implement the policy of distribution according to work in economic management on the basis of integrating theory with practice; the extensiveness and intensiveness of the discussions which yielded great results in promoting economic work; and the very large number of people participating in the discussions. The proceedings of the discussions are outlined as follows:

#### 1 -- Study of the Features of Distribution According to Work in the Underdeveloped State of Socialism

Many people held that, judging from the extent of the development of productive forces and the system of ownership, our country has not yet come to the stage of socialism envisaged by Marx and Engels. We are still in the underdeveloped stage. Therefore, we have to carry out a comprehensive study of the entire question of relations of production--particularly the system of ownership--analyze the features of distribution according to work in underdeveloped socialist countries and uncover the various factors affecting distribution according to work, so as to find a reliable and practical way



for this form of distribution to function. This is a question of great, real significance. For example: 1. Because of the two systems of socialist ownership of the means of production, there are accordingly two systems of distribution. Under the economic system of ownership by the whole people, it is in the main feasible to practice the policy of distribution according to work. Under the system of collective ownership, however, the same policy can be carried out only within the same accounting unit. Between different accounting units (such as between different communes, production brigades and production teams), however, the basic principle is "more pay for more production." This will call for a study of the whole problem of equal work for equal pay and distribution according to work. 2. In collective economy, different conditions, including natural conditions, for material production objectively exist, resulting in different returns on labor among different production units. Then, do we have to recognize these differences as a matter of ideology and principle? And how can we reduce these differences on the premise of promoting production? 3. The system of ownership decides the form of distribution which in turn has countereffects on the system of ownership. How do we apply this principle in practice? These are the problems deserving serious study by people of the economic circle.

## 2 -- Is Distribution According to Work the Sole Principle for the Distribution of Consumer Goods Among Individuals in a Socialist Society?

Under conditions of socialism, it is generally agreed that the principle of distribution according to work should be practiced. However, there are different views on the application of this principle to the distribution of consumer goods among individuals. These views are:

1. Distribution according to work is the sole socialist principle for the distribution of consumer goods among individuals.
2. Distribution according to work is not the sole principle for the distribution of consumer goods among individuals, because the portion to be distributed according to work is only the remainder from social deduction. The deducted portion is partly used on social services, such as helping the poor and those who cannot work, as well as other welfare projects. These social expenditures can be considered as distribution of consumer goods among individuals, but not according to work. If the wage principle used in the Paris Commune is applied to government personnel, it will not be a form of distribution according to work either.
3. Although agreeing that distribution according to work is not the sole principle for the distribution of consumer goods among individuals some people nevertheless disagree with the view that the wages for government personnel, based on the wage principle of the Paris Commune, are not in accordance with the policy of distribution according to work. They contend that the wage principle in the Paris Commune also agrees with that of distribution according to work because, first, it was based on the system of public ownership of the means of production and wages were computed according to

labor; secondly, the wage principle of the Paris Commune was intended as a precaution against "public servants becoming social masters" and as a rejection of exploitation. In order that the difference between the wages of public servants and ordinary workers would not be too big, measures were adopted to equalize the wages of government servants and the workers. But it did not reject the principle of distribution according to work. Thirdly, under the system of socialist public ownership, the distribution of consumer goods to all laborers (of the material production or nonmaterial production category) is determined by the yardstick of labor.

There is still the view that both distribution according to work and the wage principle of the Paris Commune are socialist principles of distribution, and that these two principles are similar as well as different. The similarity is that both are based on labor, and the difference is that, according to the principle of distribution according to work, an equal amount of products is given for an equal amount of work, thus embodying the spirit of "more work, more pay" and "less work, less pay." However, the wage principle of the Paris Commune made no such stipulations, and the highest wage was only equivalent to that of a skilled worker.

4. Some people still suggest that in the underdeveloped socialist countries, because of the existence of class struggle, the distribution of consumer goods among individuals is necessarily based on political considerations. However, many people have disagreed with this view, and held that the law of distribution according to work makes no distinction of classes, so that as long as any person works, his share of consumer goods should be commensurate with the amount of labor expended, and should not be judged by any political criterion. Only bonuses, which are intended as an incentive instead of compensation for the expenditure of extra labor, can take the political factor into account.

### 3. Is Distribution According to Work an Objective Economic Law?

1. The majority of people feel that distribution according to work is an objective economic law in the socialist stage. Under the socialist system, distribution according to work (in addition to other conditions, of course) will certainly help promote socialism and consolidate the socialist system; failure to implement this system will produce the reverse effects. In other words, this is an objective law independent of man's will.

2. Some people feel that distribution according to work is not in accordance with objective laws but rather a type of socialist economic measure. We need to practice distribution according to work because of the law that the form of distribution should correspond with the form of production or the law that the relations of production should correspond with the character of productive forces, but not the objective law that distribution should be according to work.

### 4 -- The Conditions for the Birth and Support of the Law of Distribution According to Work

1. The majority of people hold that the main economic conditions which determine the law of distribution according to work are the system of socialist public ownership of the means of production and the level of development of the productive forces at the socialist stage.

2. Others hold that the above two conditions are not enough, because of the existence of differences between the city and the countryside, between industry and agriculture and between mental and manual labor. Labor as a means of living is also a condition for the existence of the law of distribution according to work.

Those who disagree with this view feel that the differences between the city and the countryside and between industry and agriculture are mainly differences of the systems of ownership which can only restrict the sphere of activity for the law of distribution according to work, but cannot be the decisive elements of this law. The old form of division of labor is mainly responsible for the failure to further strengthen the productive forces or to increase the products and thus makes it impossible to distribute according to need. But it cannot be said that the old form of labor division itself determines the existence of the system of distribution according to work. The differences between different forms of labor and labor as a means of living are common phenomena in any form of society, and therefore, cannot be the condition to determine the existence of the law of distribution according to work.

#### 5 -- Can the Law of Distribution According to Work Be Restricted?

1. It cannot be restricted. Since the law of distribution according to work is an objective one, it cannot be created, destroyed or restricted. If restriction is imposed, the principle of exchange of equal amounts of labor will be violated. It is believed that restriction of the law of distribution according to work means the reappearance of the theory of "re-forming law" once criticized by Stalin.

2. It can be restricted. Since the law of distribution according to work demands an equal amount of products for an equal amount of labor, such a demand constitutes a capitalist right. Furthermore, there are great disparities in people's labor, and it is necessary to control these disparities in order that the differences between remunerations cannot be excessive. It must be pointed out that the law of distribution according to work must not be ignored simply because it is not being fully implemented.

3. The law of distribution according to work under conditions of socialism cannot be restricted. However, the scope of the law's application can be restricted. For example, the amount of social deduction will have a bearing on the remaining amount to be distributed according to work. Therefore, this deduction is a means of restriction. The increase of collective welfare measures will reduce the portion to be distributed according to work. These measures are therefore also a means of restriction. At present,

between the economy of ownership by the whole people and that of ownership by the collective, and between the economy of various collectives, the system of distribution according to the means of production has not been totally abolished, and this inevitably restricts distribution according to work. Therefore, the restriction of distribution according to work is absolute and the degree of restriction is relative.

## 6 -- How To Interpret "From Each According to Ability"

1. In the system "from each according to his ability and to each according to his work" and the system "from each according to his ability and to each according to his need," does the phrase "from each according to his ability" in both systems have the same meaning? There are different views on this point.

According to some people, the words "from each according to his ability" means the same thing in both systems, because the society demands that the worker work to the best of his ability on which distribution of consumer goods to individuals is based.

Others hold the view that "from each according to his ability" in the two systems has different means. In a highly developed stage of communism, "from each according to his ability" implies that each social member is able to use his ability to full advantage, and this cannot be realized in a socialist society. "From each according to his ability" in a socialist society implies that each person should do his best for the society within the framework of division of labor. At the same time, the socialist country should safeguard the worker's right to work according to his ability.

Still others hold that the communist "ability" is only quantitatively, but not qualitatively, different from the socialist "ability." Since people's ability is trained by the society, they all work for socialism or communism according to their ability, the only difference being in the quantity.

2. Do "from each according to his ability" and "distribution according to work" combine to form an entity?

Some hold the view that "from each according to his ability" is not necessarily related to "distribution according to work" so that the two do not form an entity. "Distribution according to work" is not predicated on "to each according to his ability" but on the work done. "From each according to his ability" means working to the best of his ability in an all-round way and unreservedly which cannot be realized under socialism. Therefore, it is not an objective socialist law, and cannot be related to "distribution according to work." The law governing the distribution of consumer goods is the only form of "distribution according to work."

Others hold the view that "to each according to his ability" is a prerequisite of "distribution according to work," because "distribution according



to work" can have a material foundation and continue to develop only provided there is "from each according to his ability."

Still others hold that "distribution according to work" is not contradictory to "from each according to ability and distribution according to work" because both imply the obligations of the society and the worker to each other. However, "from each according to ability and distribution according to work" is more concrete and comprehensive in dealing with these obligations.

## 7 -- The Question of the Form of Labor Remuneration

Some people suggested that the form of labor remuneration is the key to the embodiment and full implementation of the law of distribution according to work. To accomplish the four modernizations, a study of the form of distribution conforming to the law of distribution according to work is of most significance. On this point, people have expressed the following views:

1. On the question of the form of remuneration. Many comrades hold that the form of remuneration is subjectively stipulated by people. It must be based on a standard which can fairly accurately embody the principle of distribution according to work and help promote production. Therefore, there is no need to rigidly adhere to the form of using labor time wage as the primary, piece-work wage as secondary, and bonus as supplementary. They also hold that the above forms of labor remuneration, consisting of primary and secondary remunerations restricts the implementation of distribution according to work.

People holding this view feel that wage for labor time is based on the amount of labor. Though this is easy in practice, there is no direct relationship between the contribution from labor and wage. Therefore, it does not accurately conform to the principle of distribution according to work and cannot arouse people's activism in work. This is not the ideal form of remuneration.

Piece-work wage is based on materialized labor. It links contribution from labor directly with remuneration, and can more accurately reflect the principle of distribution according to work. Therefore, it is a better form of remuneration and should not be relegated to a secondary position. It would be even more unfair to confine this form of remuneration to heavy labor or handicraft. It is felt that the system of piece-work wage should be used as long as it is conducive to higher labor productivity and when the work can be counted piece by piece.

The question of bonus. Some people hold that bonus is a supplementary form of wages for labor time and piece-work, used to supplement other forms of wages when these wages cannot cover the consumption of above-standard labor. Others, however, contend that the use of bonus cannot be limited to above-standard labor consumption, because bonus also serves the purpose of incentive. Therefore, the use of bonus as a supplementary form of wage deserves further discussion.



2. People are fairly unanimous in the view that the workers' labor remuneration should be related to the efficiency or inefficiency of business operation and also reflect the actual changes in the results of labor. However, there are different views on the way to determine remuneration.

Some are of the opinion that labor remuneration should consist of three portions: first, the basic wage which is not related to the business management of the enterprise. The amount should be sufficient to insure the basic livelihood of the worker and his dependents. Second, flexible wage, which depends on the enterprise's fulfilment of the profit margin determined by the state. The amount of remuneration is variable according to the worker's wage bracket and the result of the enterprise's operation. Third, wage as an incentive is taken from the above-quota profit, and its amount should be based on the worker's above-standard labor.

Others hold the view that labor remuneration should consist of two portions: First, the basic wage which is based on the minimum individual income as determined by the state; and second, the portion for distribution according to work. Labor of various standards (including the degree of skilled labor, labor enthusiasm, the way a task is fulfilled, labor conditions, labor intensity, work attendance, and so forth) is counted in "points," and the number of "points" is based on the evaluation of the worker's performance each month. Then the fund for distribution according to work is divided by the total number of points to get the "point value." This "point value" is multiplied by the number of points obtained by each worker, and the result is the worker's income. Thus a worker's total income is determined not only by his quality of labor, but also by the result of the enterprise's operation. Except for important inventions, there should be no need to award bonuses.

3. On the form of bonuses and the way to appropriate funds for this purpose.

Many people do not agree with the present comprehensive method of awarding bonuses because it is based on equalitarianism which cannot show any outstanding contribution from individual workers, or help strengthen the weak links in production. Therefore, individual awards are advocated as the main form of bonus, while the form of comprehensive awards is adopted only when it is difficult to determine individual merits according to the labor results of some units or some projects.

There are also different views on whether individual awards or collective awards should be the main form of bonus. Most people hold that according to the principle of distribution according to work, the system of individual awards should be practiced whenever possible. Collective awards can be practiced only when it is difficult to single out individual above-standard labor. Even so, instead of distributing equally, the amounts should vary according to individual merits.

Also the methods of appropriation. Many people feel that the present ratio between bonus and standard wage (set at not higher than 10 percent, or at

most 12 percent of the total wage fund) is unworkable in theory or in practice. First, if the amount of bonuses is linked with the total standard payroll, the bonus fund will increase along with the increase in the number of workers. In this case, the leadership of enterprises will not have to make any effort to increase labor productivity by decreasing the number of workers. This will not help improve business operation. Secondly, the standard wages are stable within a certain period, but the circumstances under which the workers give above-standard performances can constantly change. If the bonus fund is limited at a fixed ratio to the standard wage, it would actually mean that the worker's above-standard labor will also be fixed at the same ratio. This will adversely affect labor enthusiasm. People holding this view are in favor of directly linking bonuses with the result of the enterprise's operation and appropriating the bonus fund out of the profit.

#### 8 -- The Question of Distribution According to Work in Economic Units Under Rural Collective Ownership

In the past year, people of the economic circle conducted discussions on the question of distribution according to work among economic units under the rural collective ownership system. They held that there is now a tendency toward equalitarianism on the question of distribution in the countryside. This is mainly manifested as follows: The work point differential is almost negligible; in distribution among commune members, wages in kind are basically divided equally according to the number of people, and only a very small portion of the distributed consumer goods are based on work points; collective welfare projects are excessive, thus reducing the amount to be distributed according to work; assessment of work and recording of work points are not entirely based on quality and quantity of the commune member's labor but, instead, on the political criterion. In view of this, they hold that in distributing consumer goods among the individual commune members, it is necessary to conscientiously follow the principle of distribution according to work and resolutely overcome equalitarianism. The following two questions were also seriously discussed:

##### 1. On the method of work assessment and work point recording.

Some people prefer the "one-fix-four-evaluations" methods of assessing work and recording work points used by Dazhai, whose slogan was "Work for the public wholeheartedly, report your own work points for public discussion." This is a simple and practical method whereby the peasants can educate themselves. It is a good way to carry out the principle of distribution according to work and to show the way for developing the form of remuneration for agricultural labor. It is the form to be used during the transition period from the system of collective ownership to that of ownership by the whole people and then to communism in future. It should be diligently studied and popularized. However, others contend that this method of assessing work and recording work points does not directly link labor with remuneration and therefore cannot fully comply with the principle of distribution according

to work, or help arouse mass enthusiasm. Furthermore, there is no specific labor standard and consequently no way of checking. So it is difficult for the masses to master it. Many people hold that the overwhelming majority of communes, production brigades and production teams are in no condition to follow Dazhai's example so that it would be inadvisable to impose this system on them. On the other hand, they should be allowed to use different methods suitable to their local conditions instead of being forced to adopt a uniform method. At present, the system of "fixed production quota and calculation of work points on the basis of work done" is a better way for the countryside to follow the principle of distribution according to work.

2. The question of whether remuneration for agricultural labor should be related to the amount of production.

Some people believe that the remuneration should be commensurate with the amount of production, and that there should be commitments to certain amounts of production.

Others disagree with this view, and hold that agricultural production is very largely subjected to natural conditions, so that the amount of production cannot be determined by individual efforts. If the system of commitment to the amount of production is enforced according to the system of "fixing farm output quotas for each group," the basic accounting unit will become much smaller and this is unfavorable for the development and consolidation of collective economy.

Those who advocate the relationship between remuneration and production output do not agree with the above view. They feel that although natural conditions have a strong effect on agricultural production, these conditions are generally the same within a basic accounting unit, so that the production output still basically reflects on labor efficiency. If remuneration is linked with the fruits of labor, the broad masses of commune members will be more concerned with their production and this system will help promote agricultural development. Furthermore, the system of "fixing output quota for each group" means the use of output as a measure for the contributions and achievements of labor. The above-quota portion does not entirely belong to that group; only a part of it is used for distribution among the group members as a form of incentive. If production is below the target, the cause will be considered and the decision to deduct the work points of the group as a penalty will depend on the circumstances of each case. This will effectively promote the development and consolidation of collective economy.

## 9 -- The Question of Material Benefits as a Principle

Distribution according to work is related to material benefits. A redis-cussion of the question of material benefits shows the deepening of the discussion on distribution according to work. The highlights of the discussion are:

## ECONOMIC PLANNING

### INDUSTRIAL, TRANSPORTATION WORK CONFERENCE DISCUSSED

Beijing GONGREN RIBAO in Chinese 13 Jul 79 p 1

[Article: "Need to Assure That Speed of Industrial Growth Will Attain Anticipated Demands Emphasized at Nationwide Industrial and Transportation Work Conference for Increased Production and Economy"]

[Text] Speed of Industrial Growth During Last Half of Year Must be Upwards of 11 Percent; Level of Industrial Production Nationwide Must See No Lowering in Third Quarter Over Second Quarter, and Fourth Quarter Should Exceed Third Quarter

What are the goals and requirements of the last half of this year for increased production and economy on the industrial and transportation battle-lines? The nationwide Industrial and Transportation Work Conference for Increased Production and Economy has advised that the speed of industrial growth during the last half of the year must be upward of 11 percent, and that the level of industrial production nationwide cannot be lower during the third quarter than in the second quarter, and the fourth quarter must exceed the third quarter.

Analyzing the basic situation in industrial production and transportation for the first half of the year, the conference felt that although industrial production climbed each month during the first half of the year, the speed of growth was rather sluggish and did not meet anticipated requirements. In order to assure fulfillment this year of an 8 percent increase as provided in the state plan, the speed of industrial growth during the last half of the year must be upward of 11 percent. Those provinces that attained better than 8 percent growth during the first half of the year, such as Sichuan, Hunan, Zhejiang, and Fujian, should strive during the last half of the year for an accelerated growth of better than 11 percent both to make a greater contribution and to make up for the shortfalls of others. Those provinces, municipalities, and prefectures that did not attain an 8 percent growth acceleration must redouble their efforts to assure realization of the planned 8 percent growth this year. They must turn around a passive situation at once and quickly catch up. Through increased production, they should increase government revenues and assure completion of their financial payment duties.



They should also strengthen cooperation between trade and industry, and strive to increase production of export goods to increase foreign exchange revenues.

In order to attain the aforementioned objectives, each region and sector will have to make concrete arrangements to increase production and economize, clearly defining what they will increase production of, by how much they will increase the production, and how they will increase the production. The requirement for increased production and economy will involve both the varieties and amounts of goods produced and every enterprise. Exclusive concern about product quality must be prevented; there positively cannot be such stupidity as seeking an undeserved reputation only to bring about calamity. We have to put in all possible time and effort to improve quality of goods and to increase variety. Through a strengthening of the management of enterprises that stresses the "three work foundations," linked with a second "quality month" campaign, we can work to bring about an upswing in product quality and a new look in variety.

Special measures must be adopted to improve light industry. If plans for increased production by light textile industries are to be realized, the fuel, energy, and raw materials required to increase this production must be vouchsafed. The key to increased production of light textile manufactures is to raise the production of secondary light industries. Leadership of secondary light industries needs strengthening, and the supply channels through which goods move for secondary light industry must be sorted out. Products, capital, and materials for secondary light enterprises cannot be indiscriminately transferred about. Heavy industries and defense production enterprises should put to use their abundant production capacity and use their leftover remnant materials and materials stored in warehouses to produce some handicraft-like industrial articles for everyday use. Dovetail industry and commerce with mutual support and close coordination. Commercial departments should purchase according to plan the products that industrial enterprises have produced according to plan. For products and test manufactured new products that commercial departments do not buy, industries should be permitted to market and test market themselves in accordance with state pricing policies.

Special attention should be given to the weak links of coal, petroleum, electricity, and transportation. Coal mines should implement a policy of equal stress on the digging of coal and the picking of rock from it, and keep tunneling ahead of other operations. Where synchronization between the digging of coal and the removal of rock from it is poor or lacking, matters should be resolutely turned around and improved during the last half of the year. Fulfillment of planned targets for coal production is to be guaranteed, with every effort being made to exceed them. Insofar as possible, coal from local mines will be used locally. Electric power facilities should be well maintained and repaired and be in perfect working order to achieve stable generation of electricity at full power, planned consumption, selective supply, and flexible switching. Management and technical reforms in consumption of electricity by agriculture should be reorganized and

strengthened to reduce both damage to lines and waste. In transportation, railroad capacity at "chokepoint" sections should be improved, and harbors should be improved to enlarge their cargo handling capacity. A rational system of transportation with joint land and water conveyances should be organized, with full use made of the capabilities of water transportation and automotive short-haul transportation.

Beginning from the planned quotas of last year, each region and sector is to economize use of coal and electricity by 2 to 3 percent, and economize use of oil by 5 to 10 percent. Every effort should be made to conserve raw materials while at the same time increasing production and the speed of production.

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## GENERAL ECONOMIC INFORMATION

### ROLE OF LABOR SERVICE COMPANY IN JILIN DISCUSSED

Beijing CONGREN RIBAO in Chinese 7 Jul 79 p 1

[Article: "Jilin Ship Operation Zone Labor Service Company Cherishes Mass Welcome of Organization of Youths Awaiting Employment for Participation in Labor Service and On-the-Job Training"]

[Text] The Jilin Ship Operation Zone Labor Service Company, which was set up to organize people awaiting employment for on-the-job training and labor service and to take centralized responsibility for finding them jobs, has gained some preliminary experience and earned the esteem and favorable comments of all sectors of society.

The Jilin Ship Operation Zone began to operate the Labor Service Company in October of last year. The Labor Service Company is an institution that owes its organization and leadership to the labor sector, and for which the major task is to take in hand labor resources and organize idle people awaiting employment for on-the-job training and labor service as well as to take responsibility for getting them jobs.

This zone has a total of more than 7,000 people awaiting employment who have languished in idleness. After the Labor Service Company was established, it felt its way along, and by dividing the task by neighborhoods, it organized personnel awaiting employment, conducted required on-the-job training and provided a labor force for society.

The Labor Service Company next set up an independent accounting system and a production and livelihood service unit that was collectively owned, with responsibility for its own profits and losses. They set up professional contingents for capital construction and for loading and unloading, and they signed contract agreements with pertinent units for a portion of capital construction projects, repairs to houses, hauling and loading and unloading, boiler riveting and welding, and various other labor services. During the first 5 months of this year they signed 15 contracts for more than 10,000 square meters of construction and repair tasks, and they have already completed work on more than 5,400 square meters of rounding-off work that had been dragging along for several years at several plants and workshops,

allowing them to go into production. They also helped residential neighborhoods set up production points and production networks to process incoming materials. Service networks throughout the zone increased from 177 last year to 269. Service items increased from an original 40 kinds to 64 kinds, with great convenience for the masses. Because of the organization by youths possessing special skills of cooperative groups for sewing, repairing, and making of household furniture, they were well received by the masses. The glass painting group of Dadong neighborhood painted a large wardrobe and a painted glass used for a dressing mirror to satisfy the needs of some people, and some commune members from the suburbs came into the city specifically to ask them to do painting.

Recommendations from the Labor Service Company have brought state enterprises and collectively owned enterprises to this zone to hire labor. Recommendations have to go through a democratic discussion by youths awaiting employment for judgment on the basis of political ideology, work attitude, and special technical knowledge, with testing being done by the recruiting group, which selects only the best. In this way the youths awaiting employment are spurred to study hard and work vigorously under the organization of the Labor Service Company to try to get ahead, and it also puts a stop to the unhealthy tendency to recruit labor "through the back door." As of May this year, more than 3,000 youths have found jobs in state enterprises and collectively owned industries, in handicraft industries, in commercial concerns, and in service jobs through the Labor Service Company. Those personnel who temporarily cannot be formally placed in occupations will continue to be organized by the Labor Service Company to do labor service work, to contract for construction, to repair, and to do hauling and planting work. As of May, each of these people had a monthly income of 40 yuan, with a maximum of more than 60 yuan.

While the Labor Service Company was organizing labor, it also organized youth to study cultural skills, setting up physics, chemistry, and mathematics study classes, Chinese language and literature classes, and foreign language classes for a total of 25 school continuation classes in which more than 1,000 youths studied. The mathematics school continuation class on Beishan Street showed test scores averaging 40 percent when it first began, but after 2 months the average score on one set of examinations was 87 percent. Youths from recent school continuation classes who have taken job recruitment tests have universally scored well. In addition to the cultural continuation classes, the youths awaiting employment also engage in training in special skills. Youths training in carpentry, bricklaying, and knitting training classes can now do top-flight work.

The broad masses of people say, "Setting up the Labor Service Company was a very good thing for the masses of people. The children have something to look forward to, and we parents don't worry, but wholeheartedly head toward the four modernizations."



## FINANCE AND BANKING

### EXPANSION, DEVELOPMENTS IN SAVINGS PROGRAMS REPORTED

Guangzhou NANFANG RIBAO in Chinese 19 Jul 79 p 1

[Article: "Tremendous Growth in Savings in Cities and Towns Throughout Province"]

[Text] During the past year, tremendous growth has occurred in savings in cities and towns throughout the province. As of the end of July, savings had grown to 168 million yuan, doubling since the same period last year and overfulfilling the planned growth quota for savings for the entire year half a year ahead of schedule. This is the most growth for this same period for any year since the founding of the People's Republic.

During this year, savings in cities and towns in our province were characterized by rapid growth, widespread participation in the savings program, and the large number of long-term and time deposits. In the first half of the year, all strata of society joined in this unusual move. Savings offices in many cities and towns in thriving districts were thronged from early in morning until late in the evening with depositors. As of 1 April this year, the rate of interest on time savings deposits of renminbi for residents of cities and environs as well as for returned Overseas Chinese was increased, and with the establishment of rather long-term 3 and 5 year time savings deposits, the enthusiasm of the masses of residents from cities and environs and among Overseas Chinese and relatives of Overseas Chinese to economize and put money in savings reached a new high. One after another they put spare cash and cash for which they temporarily had no need into the bank, and they converted time and demand deposits that had sat untouched year after year into 3 and 5 year long-term savings deposits. Some people even made deposits of cash they had saved for several years, or more than 10 years.

Statistics from Guangzhou, Shantou, Haikou and a total of 10 large and small cities show that fixed and demand savings account depositors increased by 360,000. Currently, three out of every four people have savings accounts in banks, with time and long-term savings accounts accounting for 75 percent of all savings accounts during the first half of this year.

## FUELS AND POWER

### EFFORTS, PROGRESS IN ECONOMIC USE OF FUEL REPORTED

Beijing GONGREN RIBAO in Chinese 11 Jul 79 p 1

[Article by China Fuel Company: "Nationwide Conservation of Fuel Achieves Significant Results; Enhance Management, Lower Consumption, and Stop Waste"]

[Text] This year, every region and every sector nationwide has done yeoman work in fuel economy, gaining significant results. Preliminary statistics indicate that production of 14 key products that account for 60 percent of total fuel consumption showed a total saving in a single quarter of about 2.09 million tons of coal, 420,000 tons of coke and 420,000 tons of fuel oil. As of May this year, for every ton of pig iron produced by key enterprises in the metallurgical complex, the consumption of coke was 14 kilos lower than the best record achieved. Steam locomotive standard coal consumption per 10,000 ton kilometers was lower by 2.9 kilograms than the best record achieved. Steam locomotive standard coal consumption per 10,000 ton kilometers was lower by 2.9 kilograms than the best record achieved. For thermal power plants about 6,000 kilometers, standard coal consumption per kilowatt hour of electricity was 16 grams lower than the best record. Consumption of coal per ton of cement clinker was 6 kilos lower than the lowest record.

In the conservation of fuels, the principal measures adopted by each region and sector were as follows:

1. Enhancement of fuel management with certified supply quotas. In Shanghai, 3,019 enterprises are currently carrying out a certified supply quota. Of these, 87 percent have put into effect quotas for factory workshops, teams and groups. After Zhejiang Province instituted certified supply quotas, a small synthetic ammonia plant's consumption of coal as a raw material per ton of ammonia produced and its consumption of coal for energy per ton of ammonia produced averaged 1,924 kilos less per quarter, and 232 kilos less than for the same period in 1978, for a saving of 18,000 tons of coal. After Shandong Province instituted a certified supply quota with increases in supply following increases in production and cuts in supply following cuts in production, with excessive waste resulting in deductions of supply, more than a 10 percent saving was effected.

2. Fuel Economy Award System. In order to encourage enthusiasm among the masses of employees for fuel economy, quite a few areas and enterprises tried a system of economy awards. A small chemical fertilizer plant in Shanghai promoted comprehensive economy awards in October 1978, achieving production not equalled in 11 years with reduction in fuel consumption as well. Average daily production for one quarter of this year increased 80 percent over the previous quarter, with a consumption of coal per ton of ammonia produced dropping 2.3 percent and consumption of electricity dropping 6 percent.

3. Make Every Effort to Use Waste Heat. Waste heat from a prime steel settling pond replaced 53 boilers in providing heat for a saving of 20,000 tons of coal and 1 million kilowatt hours of electricity.

In Hunan, a ceramics plant was able to use 30 percent and a brick and tile plant was able to use 23 percent of their otherwise wasted heat from an annual saving of 60,000 tons of coal. In Zibo City in Shandong, after a ceramic plant began to use waste heat from 10 flues, it saved 30,000 tons of coal a year, or about one-third of its consumption.

4. Emphasize Civilian Conservation of Coal. Heating efficiency rose by 60 percent after Zhejiang Province experimented with widespread use of quick-ignition honeycomb coal cake and insulated boilers. In several areas of Beijing, Jiangsu and Nei Monggol, expansion in supply of ignition type coal cake for coal stoves effected quite good coal savings. Trial production in Guangdong Province of improved stoves filled with devices to turn them on and off automatically has brought about a better than 60 percent improvement in heating efficiency. Not only is there a saving in coal, but the shortened time required for cooking is a help to consumers.

5. Intensify Management and Conservation of Fuel Oil. Beginning with a saving last year of 390,000 tons of fuel oil, a metallurgy plant saved more than an additional 75,000 tons in a single quarter of this year. This year, electrical industries emphasized changes in boiler pressures to cut oil burning, and 16 oil burning electric plants burned 540,000 tons less oil in one quarter of this year than for the same period last year. A glass company has also adopted effective measures, raising productivity while lowering fuel oil consumption. Petroleum departments have also intensified management of oil used by oil fields and refineries to meet their own needs, effecting economies of 390,000 tons in a single quarter this year.

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## FUELS AND POWER

### FUEL CONSUMPTION ECONOMY EFFORTS OF RAILWAY SECTOR NOTED

Beijing GONGREN RIBAO in Chinese 11 Jul 79 p 1

[Article from the Learn from Daqing Office, Ministry of Railways: "Marked Achievements Nationwide in Coal and Oil Economy by Railroads; Intensify Management in Specialized Trades and Thoroughly Develop Competition"]

[Text] At the same time that the railroads nationwide have plunged into a campaign to increase production and to economize, concentrating on economies in use of coal and oil and an intensification of management and an exceeding of quotas in the completion of transportation and production tasks, they have also shown good achievements in saving coal and oil.

During the first 5 months of this year, locomotive coal and oil consumption per 10,000 ton kilometers was lower than for the same period last year by 6 kilos and 2.6 kilos for a saving of 448,000 tons of coal and more than 17,000 tons of oil. Taken together with coal used by railroads for other production and for living, the total saving for all lines for last year amounted to 1.3 million tons of coal and more than 70,000 tons of oil.

In April of this year, the Ministry of Railways convened an All Lines Fuel Work Conference to implement still further plans and measures to meet the requirements of the campaign for increased production and economy. Locomotives consume 60 percent of all coal consumed by the railroads. A lowering of coal consumption per 10,000 ton kilometers by one means or another is the key to coal economy by the railroads. Railroad leadership cadres at all levels must grasp this key point, enhance leadership, implement measures, conduct frequent inspections, and really bear down on lowering the consumption of coal by locomotives.

Maintenance departments for all lines have steeped themselves in a mass movement of learning from Daqing, of catching up with the maintenance crew of the locomotive "Mao Zedong," and of catching up with the Guye maintenance section. All lines have also set in motion a wide-ranging work competition emphasizing safety, punctuality, pulling bigger loads, running faster, high quality and low consumption, all of which will promote savings in fuel. The Guye maintenance section is the section at the head of the procession and it is also a model in coal economy. But coal savings by the more than



90 locomotives in the entire section have been very uneven. Train No 1446 is the model for their finest achievements in saving coal; by study of advanced methods and by looking into shortfalls, locomotive crews that save more than 100 tons of coal now number 80 percent, which makes them equal or near the level of coal savings of the crew of locomotive 1446.

Intensification of management of fuel in specialized trades also promotes economy in fuel consumption. Beginning in August of last year, all lines put into effect a certified supply quota system for fuels that applies to all production and daily life. They also began a "three checks and one approval system ("check the consumer, check the equipment, check the quota, and then approve the fixed amount"). They also set up an effective fuel management apparatus staffed with management personnel.

A system of awards for saving coal and oil has also set in motion vigorous efforts to conserve coal and oil.

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## FUELS AND POWER

### SICHUAN COAL INDUSTRY WAREHOUSE INVENTORYING REPORTED

Beijing GONGREN RIBAO in Chinese 15 Jul 79 p 1

[Article: "Sichuan Coal Battleline Shows Marked Accomplishments in Warehouse Inventorying; Excess Accumulations of Hidden Goods Valued at More than 50 Million Yuan and Amounting to More than 40 percent of All Warehouse Goods Unearthed"]

[Text] The coal battleline in Sichuan Province has begun in a big way to inventory warehouses, and after half a year of effort, warehouse inventory work in 21 enterprises and institutions throughout the province that are directly subordinate or directly supply coal has been completed. A total excess accumulation of goods hidden away and valued at more than 50 million yuan, amounting to more than 40 percent of all warehouse goods, has been unearthed, with 18 million yuan worth of it already put to use.

Leaders in this province from the provincial Coal Bureau to individual enterprises attach very great importance to the warehouse inventory, considering it to be an important link in the campaign to increase production and economize. Inventorying has been placed on the agendas of party committees, and leaders have both assumed command and gone out to do battle personally with assignment of tasks, inspections, and exchanges of views between upper and lower echelons, with every echelon paying close attention. In some prefectures (municipalities), banks and financial institutions have taken the initiative in sending people for protracted stays at major mines, exchanging data and coordinating with the provincial Coal Bureau. In cases where active efforts have not been taken to inventory warehouses, with no correction being made even after education has been given, the banks have repossessed 20 percent of loan funds and have stopped making payments for purchases of goods and materials as a spur to quick action.

In the process of inventorying warehouses in this province, the coal battleline seized hold of the key link of auditing warehouses, with most enterprises having their consumption picture for the past 3 years or more examined, and with some for as long as 6, 7 or 10 years to find a fairly applicable consumption norm to use as a basis. Work was done with fine attention to detail. The Dukou Mining Affairs Bureau organized more than 220 people to sort through 55,000 specifications for goods representing consumption during

the last 3 years. They calculated more than 1.6 million bits of data to derive a basis for deciding what should be retained on the books and what should be scratched off. With the support of the Songzao coal mine and oil well head himself, more than 1,000 separate specifications covering 50 to 70 key consumption items were inventoried, with data 10 years old being examined. From this was obtained a pattern of consumption, consumption norms, and a norm for the flow of materials through the warehouses to attain the objective of keeping minimal amounts in storage to assure the needs of production.

In disposing of the excess accumulations of goods, the province first sought to have enterprises use them, but then after refurbishing and repairs, they put them on display, set up a sales department, offered deliveries to purchasers, and offered to negotiate cancellations of contracts and all sorts of methods to find use for their goods. The provincial Coal Bureau and Mining Bureau regularly held redistribution meetings for the exchange of goods with each other to meet needs.

Along with the audit went a change in regulations to prevent future messes once this one was cleared up and to avoid new accumulations of goods. A system of three checks among warehousemen, purchasers, and planners was set up. Finance departments issued cashier's checks for limited amounts of funds requiring a four-way check on funds spent--check on money at hand, check of the ledgers, check of cards, and check of the goods purchased.

As part of doing a good job in inventory work, they set up a system for inspection and appraisal with issuance of certificates of examination and acceptance for goods. At the time when the provincial Coal Bureau was getting ready to launch the warehouse inventory, it set up five criteria for examination and acceptance. On top of the checking done by each enterprise, the provincial Coal Bureau set up a systemwide appraisal and checking system for examination and acceptance of goods as meeting specifications--largely in the amounts of individual items--with prefectural (municipal) leadership organizations issuing certificates of inspection and requiring those not passing inspection to make required corrections within a fixed period of time. This advanced three-part method proved both a psychological and material encouragement. Now, of the 21 enterprises and institutions throughout the province that are either directly subordinate or are directly engaged in supply, 20 have obtained certificates of inspection and one is in the process of making required corrections.

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## FUELS AND POWER

### NEEDS, PRIORITIES IN GUANGDONG COAL INDUSTRY DISCUSSED

Guangzhou NANFANG RIBAO in Chinese 20 Jul 79 p 2

[Article: "Coal Industry to Advance in the Midst of Readjustments"]

[Text] Every business and industry in our province is currently undergoing a program of national economic readjustment, reform and improvement. How should the coal industry be readjusted? Our answer is to advance in the midst of the readjustment, with both readjustment and forward motion taking place at the same time.

The coal industry in our province has undergone close to 30 years of development since liberation, and has developed rapidly. But even so, coal production is still a very long way from being able to satisfy the requirements of an expanding national economy. For a long time it has been a weak link with a shortfall in supply year after year. Though a tremendous rise in output has taken place over the past several years, growth of new capacity has been slow because of the slow speed of capital construction. Consequently, the present situation in the coal industry is such that it still cannot meet the demands of the developing national economy. Added to this is a lack of coordination within the coal industry itself, as for example a dislocation between the digging of coal and the cleaning of coal and the failure of geological prospecting to keep up. Consequently, in a thoroughgoing program of readjustment, reform, reorganization and improvement, emphasis must be given to advance in the midst of readjustments. That is to say that during the period of readjustment, all mines, except for a minority where conditions are so bad as to require retrenchment or complete stoppage of operations, active mining of existing coal potential is to continue with steady development and steady progress in order to meet the ever increasing requirements that the national economy will have for coal once the readjustments have been made.

At present, however, people's understanding of this problem shows no consensus. With some people, as soon as conversation turns to getting more coal, they become apprehensive about the high cost in money and materials that will be required at the expense of agriculture or other enterprises. Other comrades are doubtful that our province possesses the conditions for producing more



coal. Still others feel that the quality of coal from our province is poor and the coal seems thin, making coal production a great effort for little return, so now that the country is vigorously developing large coal fields in the north, it might be more worthwhile to have the country transfer some of that coal here. These are clearly very lopsided views not geared to actual circumstances and of no help in straightening out the coal industry.

Will the mining of more coal adversely affect the development of agriculture in our province? Looked at superficially, the development of the coal industry will take some capital, but if the coal industry does not improve, agriculture will be adversely affected. The very reason that our province is vigorously developing the coal industry is to support agriculture. The coal industry in our province either directly or indirectly serves agriculture. For example, most of the coal mined in the principal coal regions such as Honggong, Meitian, Siwangzhang, Meixian, and Nanling goes mainly to supply our province's chemical fertilizer, electric power, cement, steel, and sugar refining industries. Coal produced by small regional coal mines and by small coal pits worked by communes and brigades goes mainly for fertilizer, or the development of coal pits by communes and brigades can also accumulate capital for agriculture to greatly strengthen the commune and brigade economies.

What conditions are attached to our production of a little more coal? It is understood that our province possesses proven but undeveloped coal resources amounting to 190 million tons, and additional coal resources have not yet been explored. Furthermore, after almost 30 years of building since liberation, our province now possesses a rather formidable coal industry corps, which provides a foundation for our further development of the coal industry.

As for hoping to rely on the transportation of coal south from the north, that is very unrealistic. On the one hand, inasmuch as current nationwide coal production cannot satisfy requirements, any coal that the country could transfer to our province would not amount to much of an increase. Secondly, even if the country were to transfer some to us, that would raise difficulties for existing transportation capacity. Consequently, if our province's fuel problems are to be solved, it will have to be through our own efforts in producing more. The coal industry is determined to shoulder at the same time both of the large burdens of readjustment and construction for production, and to do a good job of both readjustment and keeping up current production and construction. It most decidedly will not, at the mention of readjustment, seek a reduction in tasks or a reduction in quotas, magnify difficulties, or even be unwilling to take on further burdens in order to get ahead.

But how can advances be made in the midst of readjustment? At the moment, the most important thing is to go all out to mobilize the masses for in-depth development of a campaign of increased production and economy, and by depending on currently producing mines and through digging, renewal, reform, and every possible means, complete the coal production plan for this year.

At present, in the majority of mines in our province, there is no synchronization between the digging of coal and removal of rock from it, and there are many strains in maintaining production, filling shifts to pick rock and slate from coal, and keeping workers at the coal face. We are determined to readjust and to fight a great battle of development to tunnel ahead and rapidly turn around this passive stage of affairs to insure that digging is sufficient to keep the rock pickers busy and that the rock pickers keep ahead of the diggers, to insure equal emphasis on picking and digging, making sure that tunneling of the coal keeps ahead so as to keep a regular, equitable and proportional relationship among tasks. Only in this way can the coal industry steadily increase production and advance in the midst of readjustment. In the field of capital construction, we must now take firm hold of the mine construction begun this year, and concentrate our forces to wage a war of annihilation so that the new mines will start up with all possible speed and begin to produce coal soon.

The coal industry must advance in the midst of readjustment, and there is also another question that should not be ignored, namely to use the genuine experiences gained in this province and to put to full use the resources existing in this province to run small regional coal mines so as to reduce the overall burden. At present, in some places where coal is being transported to the mine head at small mines, the mines will have to organize transportation of some kind, as part of the readjustment, to make short hauls, doing all they can to haul away accumulated coal. From a long-range standpoint we still must expand other sources of energy and reduce pressure on the production of coal. It is understood that our province has large quantities of oil shale and lignite that lie not far below the surface in concentrated deposits that make for easy exploitation. If these low-calorie resources were to be developed for use in the generation of electricity, capacity of equipment installed could be as high as 3 million kilowatts. Therefore, in the process of readjustment we must be sure to make overall plans and take all factors into consideration, make equitable arrangements, and place on the discussion agenda the development and use of these low-calorie coal, give due regard to conservation of coal, and make fullest use of "waste gases" and "waste heat" in order to widen the energy resources road.

Employees on the coal battleline are a contingent that is especially able to fight. The intensity of their labor is great and their conditions arduous. Leadership at all levels must be concerned about the livelihood of coal mines, must strengthen ideological and political work, and carry out to the full the principle of distribution according to labor, giving greater rewards for greater production in order to inspire socialist zeal in the broad masses of the employees and attain a new victory in coal production.

## FOREIGN TRADE

### SHANGHAI'S ROLE IN FOREIGN TRADE REVEALED

Shanghai JIEFANG RIBAO in Chinese 9 Jul 79 p 3

[Report on interview with Jia Zhenzhi; date of interview not given]

[Text] Recently we interviewed Jia Zhenzhi [6328 2182 0037], director of the Municipal Foreign Trade Bureau, in which he introduced us to the efforts of Shanghai's foreign trade offices for thoroughly implementing the spirit of the 3d Plen stet of the 11th Party Central Committee, and that of the Second Session of the 5th People's Congress. He also introduced us to the situation in which these offices have made headway in developing foreign trade.

Shanghai is a major port for our nation's foreign trade. Of the total volume of the nation's foreign trade, the Shanghai port has contributed a relatively large share. Since the "gang of four" was smashed, the Shanghai port has made good progress in developing foreign trade, owing to the co-operative efforts by the offices in charge of trade, finance and transportation. In 1978, the value of import-export trade and the import-export handling capacity of the port of Shanghai reached its highest level in history. Sixty percent of the projected target for trade was achieved within the first half of this year, representing a 25.8 percent growth over the same period last year. Currently, the Shanghai port has established business relationships with more than 150 nations and areas all over the world. The success or failure, and the speed of the growth in the work of Shanghai's foreign trade, will generate considerable impact on the progress of the national economic construction and on the nation's foreign trade.

After introducing Shanghai's foreign trade situation, Jia Zhenzhi observed: In carrying out Shanghai's foreign trade, we must resolutely implement the Party Central Committee's guidelines concerning readjustment, reform, restructuring and improvement in the national economy, and apply these guidelines to guide our work. This is a major policy decision made by the Party Central Committee in order to realize the socialist Four-Modernizations program. These eight-word guidelines are positive, encouraging and pragmatic. As a result of the recent readjustment, various offices managing the economy may have had their ups and downs, advances and retreats, and increases and reductions. But from the standpoint of foreign

trade, it is not the downs, retreats, or reductions, [with which we are concerned], but rather increasing in quantity faster and better. We must maintain a suitable pace and improve exports as much as possible, develop foreign trade and increase exports in this 3-year process of readjustment. Only by so doing will we make great contributions to the realization of modern China's Four Modernizations.

Is greater development in foreign trade possible for the port of Shanghai? Jia Zhenzhi said Shanghai has many favorable conditions and great potential for expanding foreign trade. Shanghai is an old industrial base, with a solid foundation and numerous industries. It is relatively well-rounded in the various fields, and is fairly strong in scientific research. The level of technological skill in some of its industries is comparatively high, and is capable of creating some types of new products for export relatively faster. Moreover, Shanghai has long been a port of international trade, possessing a cadre team which is experienced in foreign trade and enjoying a traditional trade relationship with many foreign business, hence its horizon for developing foreign trade is very broad. In addition, Shanghai's agriculture has had abundant experience in producing materials for export. If management and labor both simply take full advantage of these favorable conditions and devotedly carry out the adjustment guidelines on the basis of the existing production foundation, unearth their potential, carry out reform and revision, and resolutely promote exports, all of Shanghai's foreign trade would be able to expand both rapidly and greatly.

Comrade Chia further introduced a number of methods through which the port of Shanghai could further develop foreign trade. Foreign trade belongs to the realm of circulation, he said, and the speed of its expansion depends primarily upon the increase in speed with which the merchandise for export is manufactured. In order to readjust foreign trade, we must first adjust the speed of foreign trade to the potential capacity of production. Taking note of the production situation for export merchandise, we must proceed in accord with a set of priorities, appropriately arranging that some merchandise take a higher priority, and that some take a lower one, that some merchandise maintain its present position and that others be gradually phased out. In developing the production of export merchandise, an appropriate amount of new production capacity needs to be increased, foreign equipment should be introduced and new technology should be imported. However, the main way to promote foreign trade still lies in self-reliance and self-sufficiency, relying on the capacity and equipment of current enterprises, and relying on unearthing potential and making reforms and revisions. At the same time, we also should actively step up the work of processing, assembling and compensation trade. For example, Shanghai Wollen Mill No 2 revised the colors and patterns of its products in order to take advantage of seasonal and current fashions and to adjust to the needs for seasonable and popular merchandise in the international market, thus increasing the nation's foreign exchange. The Shanghai Silk Mill No 4 improved the specifications and structures of its products in order to increase exports,



resulting in this factory's quadruple increase in its earnings of foreign exchange. The Shanghai Handkerchief Mill No 12 has manufactured products of good quality, adapted [to change?] quickly, lots of variety, new styles and careful craftsmanship, which has resulted in ever increasing sales. Currently its products have sold well in more than 40 countries, and have become available in the supermarkets in the U.S. and Western Europe.

Jia Zhenzhi went on to say that Shanghai's foreign trade should follow the guideline of determining the quantity of production in accord with the needs for trade on the basis of the practical needs shown in foreign markets and among foreign customers. The composition of export merchandise should be changed. The direction of export merchandise should be to pay attention to the sale of goods in both large and small quantities. While we increase and promote the percentage of industrial and mineral products and durable consumer goods, we should also increase the export of sideline products in agriculture, animal and aquatic products its processed goods as much as possible. With regard to textile categories, we must increase the quantity of the products and at the same time make a strenuous effort to their quality. Efforts should be geared toward producing broader pieces of cloth, colorful fabrics and silk fabrics, and actively expanding the export of clothing and knitwear. In manufacturing light industrial products, the emphasis should be on improving quality, making the colors, and patterns suit the needs for export. As to handicrafts, we must concentrate on producing more medium and pieces and high and medium grade artistic and decorative items. In producing agricultural sideline products, we should proceed on the basis of first protecting the supply for the market of Shanghai and then actively cultivate superior varieties in order to promote production and increase export. In the area of mechanical products, we should strive to develop exports of entire units of such individual items as ships, machine tools and diesel engines, and also such small-scale items as textiles, industrial chemicals and building materials. On a conditional basis, we also should develop the export of electronics, instruments, metallurgical and industrial chemical products. In the meantime, we must improve the packaging and decoration of the goods for export, and raise the salability of these export items. In the recent 2 years, good results have been achieved by the use of transparent plastic for wrapping and sealing packages as a substitute for the plain brown wrappers that were previously used, and also by printing descriptions and instructions in the language of the area where the products are to be sold. The sale prices for the new products have been approximately 5 percent higher than those manufactured before, yielding more earnings in foreign exchange and helping to expand the sales market.

Jia Zhenzhi further mentioned that when the units managing foreign trade in Shanghai adopt foreign equipment and techniques, they ought to proceed selectively with a plan, and make best use of the more advanced foreign experience by planning on the construction of specialized factories and

workshops for manufacturing export goods. We have already restored and adopted a number of approaches currently in use in the international community, in order to try our best to do a good job in foreign trade, to bring life to it and expand it. Now, undertakings such as accepting orders to process receiving imported materials and imported designs, accepting orders for materials which have their own packing material and for parts and accessories, accepting orders to technical equipment, and to develop compensatory trade are all being actively promoted. Some of this has already achieved a good track record. Henceforth, we must take a further step forward in developing the nation's potential for producing materials for export and in the meantime actively utilize materials and technology from foreign sources for further development of domestic production capabilities. In accord with the practical possibilities of energy and electricity, we can further improve such undertakings as processing with imported materials and with supplied materials, compensatory trade and assembling. We must also strengthen leadership, improve business management, advance the investigation and research in the trends in international markets, strengthen the inspection and quality control of merchandise, and adopt a series of powerful measures in order to accelerate Shanghai's foreign trade and maintain a continuous expansion.

Finally, Jia Zhenzhi expressed hope that the institutions concerned with industry, finance, banking, transportation, electricity, energy and materials, would provide further support for foreign trade, and jointly promote the advancement of foreign trade.

9489

CSO: 4006

DANISH COMPANIES SEEKING BUSINESS OPPORTUNITIES

Hong Kong SOUTH CHINA MORNING POST in English 6 Sep 79 p BN 1

[Article by Bill Knight]

[Text]

Denmark's makers of marine equipment are turning covetous eyes to Hongkong and China.

They are holding a two-day symposium on their latest technology here this month.

This results from an awareness that the Far East offers an increasingly lucrative market for their quality products.

A number of Danish firms already have a healthy stake in the region's marine industry.

And the symposium, it is hoped, will open the way for others.

The Danes are also likely to see good opportunities arising from expansion of China's oil industry, particularly offshore.

Shipping men from China and Hongkong are being invited to the symposium at the Furama Hotel on September 20 and 21.

September 20 has been earmarked for Hongkong and 21 for China.

Danish experts will explain their latest developments in a variety of fields, covering ship design, engine room automation, better engine and propulsion efficiency, boilers, air-conditioning, pumps and communications.

Leading the Danish drive

will be Mr Christian Jorgensen, secretary of the symposium sponsor, the Danish Export Group Association. Denmark's local Trade Commission, headed by Mr Rolf Hagemann, is co-sponsor.

A symposium is a good way to explain facts to an audience," said Mr Jorgensen in an interview in Copenhagen earlier this month.

"It will focus on new developments and make the region's shipping industry aware of what Denmark has to offer."

Representatives of the participating firms will give talks in two rooms and a third room will be set aside for follow-up contacts.

These later contacts are regarded as very important and are also a factor in helping to "spread the message."

Mr Jorgensen noted that when a Danish industrial mission visited China last year officials there expressed keen interest in the country's latest marine technology.

And indeed, with Queen Margrethe to visit China shortly, Danish officials must be optimistic that existing trade with Peking will increase in all fields.

Mr Jorgensen said in the past two years there has been an expansion of Danish indus-

trial activity in the Far East.

Missions have been to South Korea and twice to Singapore, and the marine symposium in Hongkong is a firm step in maintaining momentum.

The 11 firms and organizations taking part in the symposium represent some familiar names worldwide in shipping and marine equipment.

Their determination is perhaps well summed up by the representative of Semsco Marine, Mr Jorgen Rasmussen, who lays stress on quality. "It is the key move," he said.

Because of their own stringent product standards, it is hard for Danish firms to compete in price, he said. So they must sell on quality.

He readily admitted there is strong competition from Japan, and added with a smile that other Scandinavian countries are a force too.

Mr Rasmussen, whose firm makes air-conditioning and sprinkler systems, sees the symposium as a logical development of recent trends.

"I think, in the general situation of today, Denmark's marine market is moving to the Far East.

"Europe was long considered the main market but the past two or three years show

the impact of sales to the Far East, especially South Korea and Taiwan and a little less to Singapore."

Mr Rasmussen's stress on quality reflects the experience of another participant, Allborg Boilers.

According to an Allborg executive, China was given a firm quote for a line of boilers.

Japanese firms resorted to price-cutting in efforts to win the deal.

But four months later it was Allborg, holding firm to its price, that proved the victor.

Another participant is the long-established shipbuilder, Burmeister and Wain, which has grown into a diversified corporation although it would dearly love to win new shipbuilding orders.

Here the proof of its expertise can also be said to lie in its past.

One of its first boats, a paddle wheel vessel, launched in 1861, still plies the Skilleborg lakes of Denmark.

The company's topic at the symposium will be how it has made its diesel engines more fuel-efficient.

The symposium will be presented in Singapore before coming to Hongkong, and from here it will go to Taiwan.



## FOREIGN TRADE

### QIANMEN BRANCH OF CONSTRUCTION BANK FINANCES EXPORT INDUSTRIAL PRODUCTION

Beijing BEIJING RIBAO in Chinese 23 Jun 79 p 2

[Text] Since it began extending special loans to finance the production of export industrial materials in 1972, the Beijing Qianmen Branch Office of the Construction Bank has made contributions to the expansion of production resources for export, and to the increase in tax revenues and foreign earnings by paying special attention to developing experience and promoting the effects of financing production.

Adoption of the approach of granting interest-bearing loans to support basic construction for manufacturing export industrial products, not only is a supplement to the appropriations for the nation's capital construction, but is also a reform in the approach to supplying finances to capital construction. For a long time, the Qianmen Branch Office has handled primarily the business of extending interest-free loans to finance capital construction, and lacked the experience in managing effectively the interest-bearing loans. When it first accepted this form of loans, the branch office ignored the items for construction to be financed, and caused a number of loan grantees to stall their construction or be unable to generate the benefits they should have generated after completing construction, owing to the insufficient supply of construction materials, equipment and production resources. This adversely affected the availability of capital. In order to change the situation, this branch office has strengthened the identification of construction items and improved the investigation of the supply-demand and debt payment conditions, before it gives out a loan. This approach has channeled the limited funds to the preferred light and textile industrial items which promise less costs, more profits and faster completion of construction. After a loan is granted, efforts are made to strengthen the supervision and inspection of the situation where the loan has been used, insisting that specially dispersed funds be used for designated purposes. In the meantime, it provides assistance to the industry in solving construction difficulties and quickly and firmly recovers the loan after a factory has been in operation. Up to the end of last year, the Qianmen Branch Office

had extended loans to 146 business firms, dispersing 86 percent of the projected funds. It has recovered 74 percent of the funds actually granted in loans. The funds have been turned over almost three times within the past 6 years, financing the completion of construction of 131 items.

Extending loans for export industrial production has had an economic effect on enterprises. First, it has increased the production capabilities of the export industry. For example, the mechanical alarm clocks produced by the Beijing Clock Factory are extremely popular among foreign customers in countries in Southeast Asia, Western Europe and North Africa. However, due to obsolete equipment, its supply of goods for export satisfy the demands in the international market. In order to promote this factory's reforms to unearth its potential and improve its production, they (the bank officials) have extended two loans to purchase 34 items of additional equipment, and to readjust the original production line. They have unearthed the potential of the molding process and this has allowed the molding process to be reduced from 15 days to between 1 and 2 days, thus increasing the capacity for producing alarm clocks. The volume of production has increased from the annual amount of 360,000 alarm clocks prior to the loans, to the current annual amount of 700,000, and the export volume has increased from 110,000 clocks prior to the loans, to 300,000. Secondly extending loans has increased the designs and colors and types of export products. For example, the Dongdan Shoe Factory is a small factory, and produced shoes of limited designs and colors because of its narrow factories and simple and crude equipment. In order to help the shoe factory solve this problem, the Qianmen Branch Office has granted three loans to the factory for enlarging factories and purchasing equipment such as stamping presses, resulting in an increase from the 10 colors and designs it used to manufacture, to more than 50 colors and designs, and in an increase in exports to 80,000 pairs of shoes. Thirdly, it has helped improve the quality of export industrial goods. The Xijiao Grape Wine Factory manufactures Lotus White Wine popular among customers in Southeast Asia, Hong Kong, Macao and Japan. As the export volume increased, the original wine storage vats were insufficient and the wine was packed for export before allowing it to set for the proper amount of time after maturation, causing the flavor of the wine to be of substandard quality. In April, 1977, utilizing a loan from the Qianmen Branch Office, this factory made 12 stainless steel storage tanks, and increased the storage capacity by 60 tons. This guarantees that the wine will be stored for a sufficient period of time and that its quality will be improved, resulting in an increase in export from the previous 108 tons to 150 tons in 1978. Extending loans to the export industry also has increased the nation's tax and foreign trade revenues. According to statistics from The First Light Industrial Bureau, The Second Light Industrial Bureau and The Textile Bureau compiled on 81 loan items for completed projects already in operation, is 4.3 times higher than the net value of the loans, and their tax and foreign trade revenues is 2.4 times higher than the value of the loans.

## FOREIGN TRADE

### CANTON, HONG KONG SIGN 63 MILLION DOLLAR CONTAINER AGREEMENT

Hong Kong SOUTH CHINA MORNING POST in English 31 Aug 79 p BN 1

[Article by Victor Su]

[Text]

China today reached an agreement with a Hongkong incorporated company, Javelin Co Ltd, in Canton for the mass production of both aluminium and steel containers of international standard.

Canton authorities have allocated 25 acres of land at Tai Won State Farm for the construction of the plant.

In its efforts to increase foreign trade, China is also building a new wharf in Whampoa with facilities for handling containers of 50,000 tons.

The agreement in Canton was signed by Dr George Ling on behalf of the Hongkong company and Mr Wang Hua-wen on behalf of Guangdong Provincial Machinery Equipment and the Tai Won Container Plant.

Under the agreement, the Hongkong group will invest \$50,250,000 in machinery and equipment (to be mostly obtained from the United States), building the covered

area of the plant and marketing of 30,000 TEU (20-foot equivalent units) of containers overseas and in China.

The Guangdong Provincial Overseas Chinese Enterprises will invest \$12,500,000 for the construction of the plant to be designed by Javelin Company.

The Hongkong company was formed by five professional men, Dr Ling, Mr Andrew Jean, both architects, Dr Cary Mak, Mr Gregory Mak, both civil engineers and Mrs Jennie Ling, educationist.

Mrs Ling, who formerly headed the Language Institute of the New Asia College, served as liaison officer and negotiated with the Chinese group during a comprehensive study by American consultants into the feasibility of the project.

The Hongkong and Shanghai Banking Corporation will finance the project.

According to Dr Ling, all the containers produced in the plant will be inspected and certified by officers of the American Bureau of Shipping. The containers will meet the requirements of the International Standard Organisation, he added.

In the initial stage, the production lines will be designed for the construction of standard 20 or 40 feet con-

tainers, Dr Ling said.

But later the plant may go into the manufacture of refrigerated containers with temperature-control equipment for perishable cargoes such as fresh foods, tankers for carrying oil or chemicals, and bulk containers, he added.

An area of the site will be allocated for the manufacture in future of trailers and stowing equipment such as fork lift or electric vehicles.

According to Dr Ling, aluminium containers are popular among shippers, while steel ones are preferred by leasing companies.

There are reports that China is planning a joint venture with foreign interests to form a container leasing company which may well become one of the plant's customers.

Director of Tai Won State Farm, Mr Luk Shou-sen, said the new enterprise will create fresh job opportunities for workers in his fully-mechanised 12,000-acre farm equipped with over 100 tractors and specially-designed harvesters.

Average monthly income in the state farm is about \$120 which is substantially higher than in many communes.

## FOREIGN TRADE

### SMALL SHIPPING COMPANY GETS CONTAINER LEASING SEAL

Hong Kong SOUTH CHINA MORNING POST in English 24 Aug 79 p BN 1

[Article by Barry Choi]

[Text]

A small local shipping company, which has clinched a deal with the China Ocean Shipping Agency (Cosavico) for container leasing in China, expects that door-to-door delivery of containers in China will become a reality in about five years.

The executive director, Mr Anthony Chan, of Multinational Maritime Co Ltd, the firm named in the deal with Cosavico, yesterday said at present almost all containers terminate at Chinese ports, with their contents emptied for transportation by lorries to inland destinations.

"China is determined to develop containerisation. It has some basic hardware for such operations such as container cranes in ports like Tianjin (Tientsin).

"But the country has not yet developed them to a stage where door-to-door deliveries of containers are provided," Mr Chan said.

Under the deal, Cosavico will physically manage all container leasing depots in major Chinese ports.

Multinational Maritime will represent the Chinese shipping authorities beyond China regarding container leasing activities.

It will also provide logistics and technical support in the development of China's container depots.

The Hongkong firm is also authorised to arrange with all international container lessors the accepting and leasing of containers in China.

Mr Chan explained that before his company struck the deal with China early last month in Peking, most boxes going from Hongkong and Japan into China to pick up shipment were empty.

Empty boxes going into Shanghai per month, for example, numbered 200 of the 20-foot type. At a repositioning cost of US\$400 per box, the wastage was about US\$80,000 per month.

Mr Chan said now with the leasing arrangement, wastage as a result of empty boxes going into or coming out of China is expected to be eliminated or drastically reduced, giving freighters a better profit margin.

"We expect to handle 500 TEUs (20-footer equivalent units) in the coming months for Shanghai or Tientsin.

"Hongkong's throughput last year was in the region of 1.3 million TEUs, rising from nothing seven to eight years ago.

"We thus expect that the potential for China in the container business to be enormous," Mr Chan said.

The deal with China, described by Mr Chan as service-oriented, represents a major achievement for his one-year-old



company, with a small authorized capital of HK\$100,000.

Exactly how Mr Chan landed his company in such a deal is not known. But he said his company initiated the deal about six months ago.

Agreement came after he had several meetings last month with officials of Peavision, a branch of China's Ministry of Transportation in Peking.

"China is increasingly looking forward to entering into deals with overseas Chinese firms in its current modernisation programme. It doesn't follow that small companies like ours will not stand a chance. But at the same time, big-name companies operating with a large capital are not necessarily a handicap," he said.

"Ours is a dark horse as far as capital is concerned. We are not a dark horse in terms of experience," he said.

Mr Chan would not say how much Multinational Maritime will get out of the deal.

Multinational Maritime now has a staff of about seven and Mr Chan said this will be doubled in coming months.

CSO: 4020

## FOREIGN TRADE

### MATERIALS PROHIBITED FROM BEING IMPORTED, EXPORTED LISTED

Hong Kong TA KUNG PAO in Chinese 29 Jun 79 p 1

#### [Text] Materials Prohibited From Being Imported

1. Various kinds of weapons, ammunition and explosive materials;
2. Radio receivers and transmitters and their principal accessories;
3. Renminbi [RMB]:
4. Manuscripts, printed materials, camera film, photos, phonograph records, movie films, recording tapes, video tapes and other materials that would be harmful to The Chinese Government, economy, culture or morality;
5. Strong poison, addictive narcotic drugs and opium, morphine, heroin and so on;
6. Animals and plants which carry harmful germs, and their products;
7. Food stuffs which are unhealthy and contagious, and which come from infectious disease areas;
8. Other materials that are prohibited by the nation from being imported.

#### Materials Prohibited From Being Exported

1. Various kinds of weapons, ammunition and explosive materials;
2. Radio receivers and transmitters and their principal accessories;
3. Renminbi [RMB] and valuable securities of the People;
4. Foreign currency, checks and valuable securities that have not been approved;

5. Manuscripts, printed materials, camera films, photos, record albums, movie films, recording tapes, video tapes and other materials, the contents of which involve national security or which are not permitted for export;
6. Valuable documents, goods and books pertaining to China's revolution, history, culture and arts;
7. Rare animals and plants and their seeds;
8. Precious metals and their artifacts, jewelry and other ornaments (except the limited amount allowed under the regulations for departing passengers);
9. Other materials that are prohibited by the nation from being exported.

9489

CSO: 4006

PEKING HELPS INCREASE VALUE OF HONG KONG'S REEXPORT TRADE

Hong Kong SOUTH CHINA MORNING POST in English 31 Aug 79 p BN 1

[Text]

China contributed significantly to the strength of Hong Kong's re-export trade which rose 55.1 per cent to 99.38 billion during the first six months of this year.

Goods originating in China were valued at \$2.578 billion, an increase of 79 per cent over last year's January through June re-exports.

Through Hong Kong, China sold more textile products than ever before.

There was a big increase in the re-export of Chinese made-up textile articles, rising 63 per cent to \$343 million.

Increases were also recorded in sales of crude vegetable materials (\$282 million, up 31 per cent), woven cotton fabrics (\$185 million, up 92 per cent) and textile yarn (\$132 million, 115 per cent up).

China's goods were re-exported mainly to Japan which bought \$438 million, an increase of 168 per cent, the United States (\$312 million, up 94 per cent), Indonesia (\$382 million, up 48 per cent), and Singapore (\$212 million, up 50 per cent).

Japan remained the biggest overall market for Hong Kong's re-exports, taking \$1.379 billion worth, an increase of 38 per cent.

What it bought through Hong Kong were crabs, sea shells and molluscs, woven cotton fabrics, textile yarn, thermionic, cold cathode and photo-cathode valves and tubes.

Other major markets were the US (\$914 million, up 66 per cent), Taiwan (\$864 million, up 59 per cent), Singapore (\$809 million, up 26 per cent), and Indonesia (\$760 million, up 23 per cent).

Besides China, the other major sources of re-exports were Japan (\$1.513 billion, up 47 per cent), US (\$1.009 billion, 46 per cent up), Taiwan (\$374 million, up 128 per cent) and Belgium (\$322 million, up 54 per cent).

More than half of the Japan-origin goods were shipped to Indonesia, Singapore, Taiwan and China.

The two main importing countries for goods of US origin were Japan and Taiwan.



## FOREIGN TRADE

### PANDAIR FREIGHT SELECTED FOR TRANSPORTING SHIPMENTS

Hong Kong SOUTH CHINA MORNING POST in English 1 Sep 79 p BN 1

[Text]

China has appointed Pandair Freight Ltd, the largest airfreight forwarder in the United Kingdom, as its official agent for the movement of shipments between the two countries on behalf of the China National Foreign Trade and Transportation Organisation (FTTC).

FTTC is responsible for all the import and export traffic of more than 10 main industrial and trading corporations in China.

It also handles freight movements domestically within the country.

The appointment gives Pandair responsibility for the forwarding of airfreight exports to the FTTC in China who will then arrange internal distribution.

At the same time Pandair will handle the clearance and delivery of inbound traffic from China to the UK.

Pandair will initially be sending airfreight via Air France, Japan Air Lines and Swissair but will use British Airways when the airline starts regular flights to China later this year.

Pandair's contract is a result of six years of negotia-

tions with the FTTC officials conducted in both China and the UK.

Instrumental in the negotiation and securing of this contract was Pandair's international manager, special projects, Mr Don Cole, who first established contact through the London Embassy in 1973.

Mr Cole explained that while traffic flows are at present not substantial, the volume is expected to grow considerably during the 1980s.

China intends to become the world's third largest industrial nation, he pointed out.

"Both the development towards this target and its achievement will lead to a vast increase in trade in the long term."

It is not envisaged that the volume of traffic will warrant the introduction of a consolidation service.

Pandair does not foresee the establishment of an office in Peking in the future but will be monitoring the business requirement and volume for such a possibility.

PASSENGER LINERS TO BE STARTED BETWEEN CANTON, HONG KONG

Hong Kong SOUTH CHINA MORNING POST in English 31 Aug 79 p 7

[Article by Watler Cheung]

[Text]

China plans to start a passenger liner service between Hongkong and Canton.

It has bought two second-hand ships for the proposed service.

One is in a Hongkong dockyard and the other is on its way here.

The former Dona Monserrat, a 3,658-ton cruise ship, was bought in June from Philippine interests for US\$2.5 million and has been re-named Xing Hu.

The liner, which is fully air-conditioned with a swimming pool, a bar and a large dining hall, can accommodate 738 passengers.

It will be managed by the Guangdong province Hongkong-Macau Navigation Co.

A spokesman for the agents, Chu Kong Shipping Co, said they have approached the Marine Department for a suitable pier for the service.

He added they are considering asking the Government to allocate a site for a special wharf for the berthing of the ships.

"We will pay for the construction costs," he said.

However, a Marine Department spokesman explained yesterday that Govern-

ment piers are not big enough to accommodate ocean-going vessels.

"As for private-owned piers, the company should make arrangements itself."

The other vessel was bought from Denmark and will be refitted in Hongkong.

Initially the Xing Hu will make one round-trip a day.

The ship will leave Canton at 1 pm and arrive at Hongkong five hours later.

She will depart for Canton at 11 pm the same night and arrive there at 4 am.

Construction of a Canton pier for the service was completed earlier this month.

"Now that more and more Hongkong people visit China, there is the great need to provide more means of transport for them," the spokesman for Chu Kong said.

Meanwhile, the Hongkong and Yau-mati Ferry Co has switched back to its four sailings a day on the hoverferry service between Hongkong and Whampoa.

The company ran a fifth sailing during the summer to cope with the large number of visitors to China from Hongkong.

## FOREIGN TRADE

### BRIEFS

**CONSTRUCTION CONTRACT**--Official Chinese representatives in Hongkong are in the final stages of concluding a \$1.4 billion construction contract. The newly-incorporated China Overseas Building Development Corp has been negotiating with the Hitachi Group from Japan for the construction of a giant chemical plant in Algeria. Under the proposed agreement China will provide engineers, labour and building material for the plant while Hitachi will provide machinery and equipment. The contract is expected to be signed later this month if a few remaining problems can be resolved within the next few days. The COBDC, headed by Mr Su Yu-pau, was established here on instructions from the Capital Construction Commission of China's State Council. The Capital Construction Commission, headed by Vice-Premier Ku Mu, is a ministry in charge of major civil engineering works overseas. Several building engineers have been sent here by COBDC to participate in local housing projects. Mr Su has been negotiating overseas business opportunities on China's behalf in Hongkong. Mr Su said last night several other engineering contracts with French and other Japanese firms were in progress. [Text] [Hong Kong SOUTH CHINA MORNING POST in English 11 Sep 79 p 8]

**VISA IN CHINA**--East Asia Bank-Americard/VISA cardholders will be able to use their credit cards in China's Export Commodities Trade Fair in Guangzhou in autumn. The Bank of East Asia Ltd in Hongkong and the Bank of China in Guangzhou have reached an agreement where East Asia Bank-Americard/VISA will be honoured at the Bank of China's service centres in the trade fair and also at their branch at 137 Chang Ti Road, Gaungzhou. In view of the pricing policy prevailing in China, there will be no markup on the prices of the goods to allow for the acceptance of the cards, but cardholders will have to pay a small commission when using their cards. East Asia Bank-Americard/VISA is a joint venture between the Bank of East Asia, Ltd and Bank of America in Hongkong. [Text] [Hong Kong SOUTH CHINA MORNING POST in English 3 Sep 79 p BN 1]

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